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NH Investment & Securities 2018 Sustainability Report

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FOR EVERYONE

NH Investment & Securities
Sustainability Report 2018



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Through our first Sustainability Report, NH Investment & Securities hopes to begin the path of sharing our sustainable values and engaging in deeper communication with various stakeholders.

NH Investment & Securities promises to continuously innovate and move forward to realize a sustainable company and society. To this end, we shall look to the future with greater breadth and depth.

About This Report

[Overview]

This is the first Sustainability Report (SR) published by NH Investment & Securities since the launch of the merged securities firm in 2014. The report highlights our sustainable management activities and results based on material issues derived through a materiality assessment. Going forward, we plan to regularly publish SRs to share our vision of sustainability and related activities to both internal and external stakeholders.

[Reporting Standards]

This report was written in accordance to the core option of GRI (Global Reporting Initiative) standards and the ISO 26000 and the 10 principles of UNGC. The reporting standards and definitions of the financial and non-financial information included in the report are based on Korean International Financial Reporting Standards.

[Reporting Period, Scope and Boundary]

This report covers the SR activities that took place between January 1 and December 31 of 2017 and during the first half of 2018. The scope refers to the domestic places of business for NH Investment & Securities, including the head office and branch offices, and does not include the subsidiaries. When necessary, activities and results of some overseas business sites were mentioned, and the reporting boundaries for the material issues are separately indicated on pages 26~27.

[Report Assurance]

To ensure the objectivity and reliability of this report, we received third-party assurance based on the international assurance standard of AA1000AS (2008). The assurance results are attached in the appendix.

For Questions on this Report

This report can be downloaded from the NH Investment & Securities website. We welcome opinions on the report from stakeholders. Please send them to the following contact information through your preferred method of email, telephone or mail.

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NH INVESTMENT & SECURITIES IS
KOREA'S REPRESENTATIVE
"PLATFORM PLAYER" THAT
PROVIDES OPTIMIZED SOLUTIONS
FOR THE CAPITAL MARKET BASED
ON OUR UNRIVALED EXPERTISE.

WE LOOK BEYOND THE
FINANCIAL RESULTS TO FULFILL
OUR ROLE AS A RESPONSIBLE
FINANCIAL INVESTMENT
COMPANY THAT GROWS
TOGETHER WITH OUR
CUSTOMERS AND COMMUNITIES.

THROUGH THIS REPORT,
NH INVESTMENT & SECURITIES
SHARES WITH STAKEHOLDERS ITS
VARIOUS ACTIVITIES AS A
RESPONSIBLE CORPORATE
CITIZEN STRIVING TO
CONTRIBUTE TO A BETTER
WORLD.



Company Overview



Dear stakeholders,

Thank you for your unwavering support for NH Investment & Securities. Since our launch, we have been fulfilling our social responsibility and systematically pursue sustainable management. I am proud to share with you some of the results of our efforts so far, along with our sustainable management vision and commitment in our first Sustainability Report.

The business environment is becoming ever more difficult to predict and competition is growing fiercer and more complicated. Innovation in digital technology has led to non-financial companies entering the market and more global companies have ventured into Korea. Moreover, the rule of competition has shifted from one focused on brand or price to the ability of companies to come up with competitive products and innovative solutions based on risk acquisition capabilities.

To remain a company of sustainable growth that can endure such generational changes and challenges, NH Investment & Securities has followed a strategy of balanced growth that takes into consideration our economy, society and environment. Due to this sound strategy, we recorded our best ever performance in 2017 which was made all the more meaningful as all business divisions achieved strong results.

“We will emerge as the leading ‘platform player’ to pursue sustainable growth and responsible finance that focuses on enhancing the value of stakeholders.”

Proud as we are of our financial results, we plan to continue to respond effectively to the fast-changing financial market paradigm and focus on our role as a responsible financial investment company that grows along with our stakeholders.

First, we will become a strong ‘platform player’ that uses its unrivaled expertise to provide clients with optimal solutions that satisfy all their financial demands.

The capital market abounds with many players and diverse customer needs. To position ourselves as a differentiated and competitive platform player, we will do our best to provide clients with the confidence that they will be able to find the most superior solutions on the NH Investment & Securities platform.

Second, we will pursue customer-oriented management that focuses on increasing value for customers by seeking long-term partnerships with customers.

The essence of financial investment is to increase value for customers. We plan to continually ask ourselves ‘What do our customers need?’ rather than ‘What should we market to our customers?’ so that we can provide them with the solutions they need most. We also want to improve the way we work so that we can deliver extra value to our customers through innovative methods to answer needs that they had not yet even vocalized.

Third, we will respect and nurture our human resources as our most valuable asset to build an organization powered by high-caliber talent.

Our people will be responsible for suggesting innovative products and solutions to customers using our platform. To ensure they are able to work in a healthy and balanced work-life environment with fair opportunities and assessments, in addition to compensation based on performance, we will create a transparent channel of communication to always listen to our employees. We will spare no effort so that all employees in planning, making and delivering financial products and solutions are experts in their respective fields.

Finally, we will make every effort to serve the public interest and contribute to making the world a better and happier place.

We will strive to meet the expectations of our stakeholders by helping to create quality jobs and by developing products and services that give due consideration to society and the environment. In particular, we are committed to promoting agriculture and farming communities as a member of Nonghyup.

Furthermore, we abide by the ten principles of the UN Global Compact in the areas of human rights, labor, environment and anti-corruption. We also support and participate in efforts to achieve the UN Sustainable Development Goals (SDGs).

NH Investment & Securities promises to continuously innovate and move forward to realize a sustainable company and society. To this end, we shall look to the future with greater breadth and depth. We ask for the support and trust of our stakeholders as we seek change and reform to evolve into the leading ‘platform player’ in the capital market.

Thank you.

NH Investment & Securities CEO

Jeong Young-Chae



NH Investment & Securities selected as mega investment bank

NH Investment & Securities was selected as a mega investment bank in November 2017. A mega investment bank can make direct investments in a corporate entity and generate income through lending and intermediary activities. We offer comprehensive financial services that include M&A, advisory and other corporate financing.

In addition to carrying out traditional investment banking activities, we will draw on our capacity to deliver unrivaled total solutions to be the most highly regarded 'platform player' by individual and institutional clients alike.





Fingerprint certification following industry-first palm vein certification

We were the first in the financial industry to introduce palm vein certification at nationwide branches. We subsequently introduced a fingerprint authentication system for mobile transactions.

Registered fingerprints can be used to validate the user's identity instead of a public electronic certificate to carry out mobile financial transactions including stock trading and money transfer. The fingerprint system removes the need to enter PIN numbers, meaning greater convenience for customers.





2017 KEF/AKJ Sustainability Management Awards - Minister of Health & Welfare Award, Social Contribution

The KEF/AKJ Sustainability Management Awards are jointly hosted by the Association of Korean Journalists (AKJ) and the Korea Employers Federation (KEF) and overseen by the Korea Sustainability Management Evaluation. The event is supported by the Ministry of Strategy and Finance, the Ministry of Education, the Ministry of Trade Industry and Energy, the Ministry of Health and Welfare, the Ministry of Environment, the Ministry of Employment and Labor, and for the first time this year, the Ministry of Gender Equality and Family.

The awards are intended to promote a sense of compassion throughout society, from ordinary citizens to the business community and government. We received the Minister of Health and Welfare Award in the social contribution category in recognition of efforts to make the world a better place through activities such as volunteering and fundraising.



Products to raise funds to support farmers

We offer three products that are designed to support farmers. A portion of revenues generated by these products are channeled to support farmers. This is a part of a pan-NH initiative to increase the income levels of farming households. Funds are set aside every year depending on the sales amount of the products and given to public interest groups that assist farming communities.



Industry's first internal rating system for credit risk

We have created a system to calculate and verify risk-weighted assets based on an internal rating system.

In contrast to the standard method of applying risk weights set by financial authorities, the internal rating system uses risk factors assumed internally (default rate, loss given default, exposure) to calculate risk-weighted assets for credit risk. The system was set up over a period of one year. After data accumulation, model verification and monitoring, we aim to receive approval from the authorities by 2020. We plan to upgrade our risk management procedures so that the system can be fully utilized for data refining, provisioning that complies with new accounting standards, and pricing.



Opening of discretionary/ advisory platform 'Portfolio Market'

Portfolio Market brings together investment products in one convenient platform, enabling clients to easily sign up for discretionary and advisory services. Launched in 2017, Portfolio Market provides users with algorithm-based portfolios according to investment targets and methods. It offers customized investment strategies based on an individual's investment preferences. The entire investment process, from analysis to trading, can be carried out online.

Portfolio Market will help NH Investment & Securities establish itself as a leader in digital wealth management.





Crowdfunding service for farmers

We launched a crowdfunding service for farmers to help them generate income and promote mutual prosperity with farming communities.

Crowdfunding refers to raising funds from the public. It is divided into reward-based (funding in return for a product or other reward) and equity-based (funding in return for shares in a company) categories. We offer reward-based crowdfunding in which the reward is a product made by processing agricultural output. Farmers benefit by securing a distribution channel without having to go through multiple intermediaries, while investors gain access to fresh and healthy products made by local farmers at low prices.

Twelve farms participated in the first season of crowdfunding in April 2017 which raised KRW 28.45 million, or 163% above the target amount. Season 2 took place in August and raised KRW 44.83 million, or 345% above the target.

As a member of NH Financial Group, we will continue to expand crowdfunding for the farming communities.





Mobile savings app 'NAMUH C(seed)'

NUMUH C(seed) service introduces a new concept in savings. It encourages a habit of saving in users who are accustomed to the mobile lifestyle with fun and easy ways to save and make investments.





Acquired 100% stake of NH Securities Vietnam (Vietnamese subsidiary)

We entered the Vietnamese market in 2009 by acquiring 49% of the local firm CBV Securities. In early 2018, we acquired the remaining 51% of the joint venture from the local partner and carried out a rights offering to launch the wholly owned subsidiary NH Securities Vietnam (NHSV) in February.

In pursuing overseas expansion, we seek to grow along with the local market rather than focus on short-term profits. We will build NHSV into a platform that our domestic clients can use to invest in Vietnam and amass local investing experience to cultivate the subsidiary into a leading player in the Vietnamese market.





Named best fund seller for second year in a row

We received the top honor in the fund distributor survey sponsored by the Korea Financial Investors Protection Foundation for the second year in a row. The survey was conducted on 28 fund distributors (17 securities firms, 10 banks and one insurance firm). We were recognized for high returns and efforts to fully inform financial consumers through our stage-by-stage system for selling funds.

Company Profile

Company Overview

NH Investment & Securities, which started anew on December 31, 2014 following a merger is a comprehensive financial investment company that serves a wide range of customers and investors (including individual and corporate clients, institutional investors).

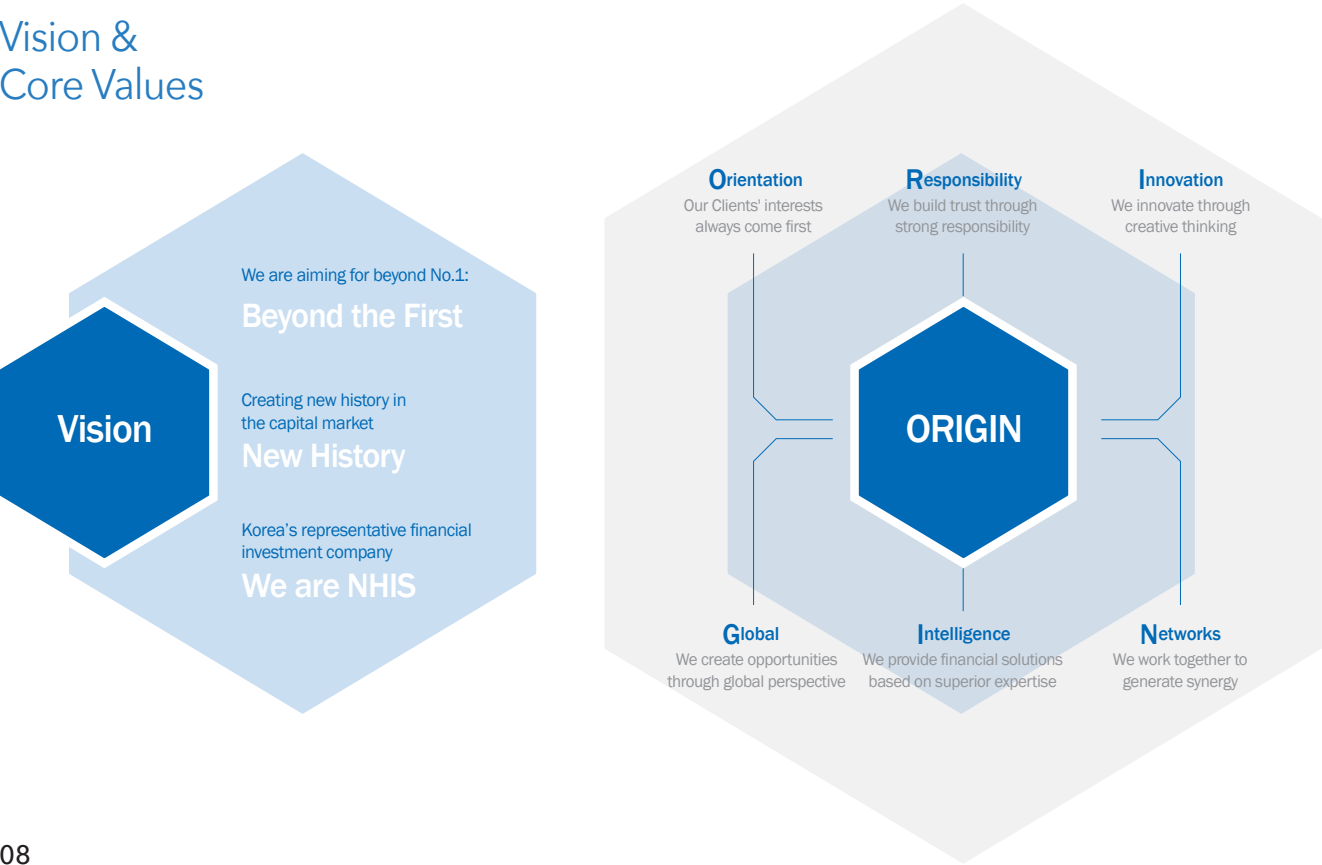
Thanks to continuing efforts to establish a balanced business portfolio since the launch, we have built up a strong market presence and industry-leading competitiveness across all of our business areas.

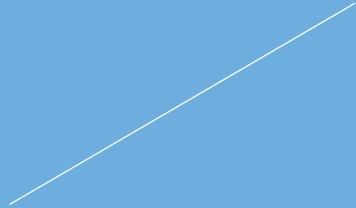
Going forward, we will remain committed to our ‘customer first’ principle. We will continue to prioritize the needs of our customers by providing them with innovative solutions and in the process, emerge as a dominant platform player in the capital market.

(2017 consolidated basis)

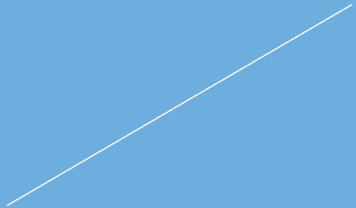
Company name	NH Investment & Securities		
Date established	January 1969		
Affiliates and subsidiaries	Affiliates: NH Bank, NH-Amundi Asset Management, NH Life Insurance, NH Property & Casualty Insurance, NH Capital, NH Savings Bank Subsidiaries: NH Futures, NH Investment & Securities (H.K.), NH Investment & Securities America, NH Absolute Return Partners (Singapore), NH Investment Advisory (Beijing), NH Korindo Securities Indonesia, NH Securities Vietnam		
Head office	NH Investment & Securities Co., Bldg., 60 Yeoui-daero, Yeongdeungpo-gu, Seoul 07325 Korea		
Organizational structure	5 Business Divisions (WM/IB/IC/Trading/Equity Sales), 1 Office (Management Support) and other units directly under the CEO		
Core business	Investment trading, brokerage, collective investment, trust, advisory, discretionary investment		
No. of employees	2,863		
Total assets	KRW 43.9 trillion		
No. of branches	Domestic: 82	Overseas: 6 local subsidiaries, 2 representative offices	
Operating income	KRW 459.2 billion		
Net income	KRW 349.6 billion		
Credit rating	Domestic	Korea Ratings, KIS, NICE (corporate bond): AA+	
	Overseas	Moody's long-term issuer rating: Baa1 / Moody's short-term issuer: P-2	

Vision & Core Values





NH INVESTMENT & SECURITIES
STRIVES TO SATISFY THE
NEEDS OF ALL STAKEHOLDERS
WHO REQUIRE FINANCIAL
SERVICES IN THE MIDST OF A
FAST CHANGING BUSINESS
ENVIRONMENT. GUIDED BY
OUR MISSION TO 'LEAD THE
MARKET PARADIGM AND
CREATE NEW FINANCIAL
VALUE THROUGH INNOVATIVE
FINANCIAL SOLUTIONS,'
WE PURSUE CONTINUOUS
CHANGE AND DEVELOPMENT
TO CREATE SUSTAINABLE
VALUE.



Our Strategy and Approach

Sustainable Management System / Business Performance
Corporate Governance / Stakeholder Engagement
Materiality Assessment 2017

Sustainable Management System

Sustainable Management Mission





Our mission to 'lead the market paradigm and create new financial value through innovative financial solutions' reflects our dedication to providing diverse solutions that meet the needs of individual and corporate clients who require financial services in a rapidly changing business environment as well as our commitment to creating new value by pursuing continuous change and progress.

We seek to attain the following objectives based on the standpoint of customers, shareholders, employees and society: increase asset value for clients through long-term partnerships (customer satisfaction), maximize profits for shareholders through sustained revenue generation and corporate value enhancement (shareholder return), provide a workplace that gives employees and their families pride and happiness (employee well-being), and enhance public welfare and contribute to advancing local communities and the country (social contribution).

Sustainable Management Strategy

At NH Investment & Securities, we believe the essence of the securities business is to grow by increasing value alongside the customers. Accordingly, customer value is at the heart of our business strategy. We recognize the need for fundamental change, i.e., formulating the business model from the customer's perspective, in order to increase value for our customers. We are making every effort to increase customer value and sustain growth by pursuing the following key action plans: build long-term partnerships with customers, strengthen our role as a platform player in the capital market, nurture competent human resources who are experts in their fields, and reinforce our role as a member of Nonghyup and society.

Business Objectives & Strategy, Action Plans

Business objective	Strong platform player in the capital market, the first choice of customers			
Action plan	 Build long-term partnerships with clients	 Strengthen our role as platform player in the capital market	 Nurture competent human resources who are experts in their fields	 Reinforce our role as a member of Nonghyup and society
Strategy	<ul style="list-style-type: none">• Provide customized solutions based on a strong customer analysis system• Strengthen customer management with customer-centric asset management services• Serve as a partner throughout a company's growth life-cycle	<ul style="list-style-type: none">• Expand product supply by sharpening deal sourcing and structuring capabilities• Offer unrivaled solutions by boosting risk assumption capabilities• Reinforce WM business base with competitive financial solutions• Expand global business base with enhanced overseas product sourcing and management capabilities• Build a strong digital platform	<ul style="list-style-type: none">• Foster a fair, reasonable and effective organizational culture• Nurture professionals who create the greatest value	<ul style="list-style-type: none">• Create high quality jobs• Increase actual benefits for farmers

UN SDGs

The UN's Sustainable Development Goals (SDGs), which are being implemented from 2016 to 2030, were adopted to address economic, social and environmental problems facing humanity and to make the world a better place. The 17 SDGs and their 169 targets encourage governments, citizens and civic groups, and business communities across the globe to participate in efforts to promote sustainable development. As a company practicing responsible finance, NH Investment & Securities pursues various activities that contribute to achieving the SDGs. Going forward, we plan to link our sustainability endeavors with the SDGs and draw up detailed objectives and strategies. We will continue to disclose our activities and achievements regarding SDGs through our sustainability report.

1NO POVERTY

2ZERO HUNGER

3GOOD HEALTH AND WELL-BEING

4QUALITY EDUCATION

5GENDER EQUALITY

6CLEAN WATER AND SANITATION

7AFFORDABLE AND CLEAN ENERGY

8DECENT WORK AND ECONOMIC GROWTH

9INDUSTRY INNOVATION AND INFRASTRUCTURE

10REDUCED INEQUALITIES

11SUSTAINABLE CITIES AND COMMUNITIES

12RESPONSIBLE CONSUMPTION AND PRODUCTION

13CLIMATE ACTION

14LIFE BELOW WATER

15LIFE ON LAND

16PEACE, JUSTICE AND STRONG INSTITUTIONS

17PARTNERSHIPS FOR THE GOALS

SUSTAINABLE DEVELOPMENT GOALS

Goal 1No Poverty

Goal 2Zero Hunger

Goal 3Good Health and Well-being

Goal 4Quality Education

Goal 5Gender Equality

Goal 6Clean Water and Sanitation

Goal 7Affordable and Clean Energy

Goal 8Decent Work and Economic Growth

Goal 9Industry, Innovation and Infrastructure

Goal 10Reduced Inequality

Goal 11Sustainable Cities and Communities

Goal 12Responsible Consumption and Production

Goal 13Climate Action

Goal 14Life Below Water

Goal 15Life on Land

Goal 16Peace and Justice Strong Institutions

Goal 17Partnerships to achieve the Goal

Business Performance

Wealth Management / Investment Banking
Institutional Client / Trading / Equity Sales



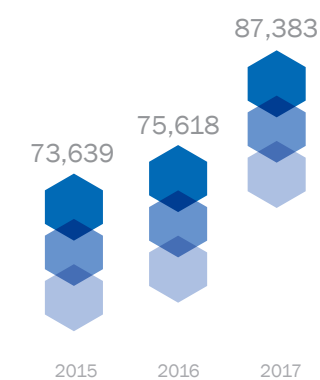
Wealth Management

Brokerage and wealth management for retail clients

In wealth management (WM), we are strengthening the portfolio asset management model which can diversify clients' investments and generate stable income streams amid market fluctuations. Reflecting NH Investment & Securities' investment knowhow, the asset management brand 'QV' encompasses diverse products and services including Robo-account and Individual Savings Account (ISA). The asset allocation prowess of QV Portfolio is also evident when it comes to overseas investment. QV Portfolio invests in a wide range of global assets such as stocks, bonds and funds. It flexibly adjusts weightings to seek opportunities for additional returns while responding to a fast changing investment environment.

We are also spearheading the paradigm shift to fintech with the first in-house developed Robo-advisor service in the securities industry and the introduction of non-face-to-face channels. In step with the growth of mobile financial transactions, we unveiled the industry's first exclusive mobile brand NAMUH and carried out an event offering life-long commission exemptions for new clients who sign on through NAMUH. Separately, we signed an agreement with K Bank on opening of securities accounts in order to broaden our customer base in the non-face-to-face market and expand channels of alliance. Other notable achievements related to fintech include the launch of mobile One-Time Password (OTP), fingerprint certification and the mobile savings app NAMUH C. We will provide a wide range of investment products and unique solutions to help customers expand their investment scope and grow their wealth. We will continue to enhance our wealth management services with customized asset portfolios and build long-term partnerships with our customers.

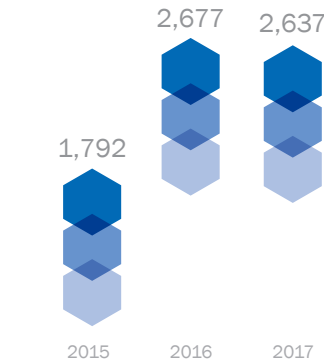
No. of customers with assets exceeding KRW 100 million:





Investment Banking

Net operating revenue from IB
(KRW 100 million)



Corporate financing for corporate clients

We are demonstrating our competitive edge in all areas of investment banking, from M&A and acquisition financing to structured finance and real estate financing. We have created a unique business model for serving corporate clients. Rather than simply carrying out short-term deals, we propose long-term business strategies and solutions.

In the debt capital market (DCM), we produced outstanding results in domestic corporate bond underwriting thanks to our focus on strengthening relationships with issuers likely to lead to related deals. In the equity capital market (ECM), we were the lead manager in landmark deals including the IPO of Netmarble and we were the first in the industry to introduce spreads for institutional investors. Amidst the increase in corporate governance reform, we successfully advised on the transition to a holding company for major business groups. Turning to structured finance and real estate financing, we participated in major deals such as the Hannam-dong foreigners' apartment and Namdaemun office development projects. We also made strides in global real estate investments (office property in Boston, the Sony Tower in Tokyo, etc.) and aircraft financing.

We will further sharpen our abilities to provide total solutions throughout the corporate life cycle as a mega investment bank and build a global business platform to respond to changes in the market. At the same time, we will practice rigorous risk management to uphold our position as a capital market leader trusted by clients.



Institutional Client

Financial products (structured products) sales and trading for institutional clients

The IC business integrates asset management, solutions and marketing aimed at institutional clients with the goal of delivering the best financial solutions, with the emphasis placed on setting up a stable business model. We provide some 300 products and solutions to institutional investors. These include derivatives such as ELS (Equity Linked Securities) and DLS (Derivatives Linked Securities), funds, hedge funds, alternative investment funds, trusts, wrap accounts and RPs (Repurchase Agreement). We have developed derivatives with various underlying assets including commodities and foreign currencies to satisfy diversifying investor needs and expanded supply of ELS with safety guards to meet demand for mid-risk/mid-return products. Moreover, we are expanding our hedge flow business* (FX swap**, hedges for asset managers/trust companies, CDS***, etc.) as major clients increasingly invest in overseas and alternative assets. We have delivered robust performance in our IC business by growing business volume and developing/selling various new products. We will continuously upgrade the business portfolio to offer products and solutions optimized for diverse needs. We will strengthen relationships with institutional investors and serve them as their ideal financial partner.

* Hedge flow business: Exchange of future cash flows between two parties based on OTC derivative products like IRS (interest rate swap), FX swap and CDS
** Foreign exchange swap (FX swap): Spot sale/purchase of currencies and simultaneous forward purchase/sale of the same currencies between two parties
*** Credit default swap (CDS): Credit derivative designed to protect against default risk; involves the transfer of credit risk between the counterparties





Trading

Equity (stocks), FICC (fixed income, currency, commodities) proprietary trading

The Trading Division has produced healthy performance backed by in-depth market analysis and effective risk management. In equity trading, the multi-asset, multi-strategy approach is the basis for stable income generation regardless of market conditions. Bond trading produced sound results despite unfavorable market conditions such as the interest rate up-cycle and heightened interest rate volatility in the second half of 2017.

Bearing in mind prolonged low growth of the Korean economy, we are expanding the weight of overseas assets in the asset portfolio. We are extending our geographical reach, investing in regions including the U.S., Japan, Europe and China. Along with thorough sector-by-sector analysis and risk management, we have increased exposure to overseas stocks, bonds and mezzanine investments*. Based on comprehensive market analysis, we are boosting investment in bonds of emerging countries with good growth prospects. With flexible portfolio rebalancing based on momentum, we are pursuing both stability and high returns.

We will step up investment in overseas assets such as global stocks and bonds to diversify the investment scope in pursuit of higher returns. We will also strengthen the capabilities of our asset management professionals to produce stable returns on investments and garner a reputation as a premier trading house.

* Mezzanine investments: Investments with risk that is higher than that of stocks but lower than that of bonds such as convertible bond (CB) and bond with warrant (BW)



Equity Sales

Stock brokerage for institutional and overseas investors

We produced healthy results from stock brokerage in 2017 as we maintained firm trust of institutional clients. In particular, we demonstrated remarkable growth in outbound global stock operations.

We have been reinforcing strategic relationships with institutional investors in order to bolster our market footing. In outbound global stocks, we were the only domestic securities firm to be chosen as an overseas stock broker by the National Pension Service for four consecutive terms (half-year terms from second half of 2016 to second half of 2018). In addition to traditional brokerage, we actively ventured into new areas such as global REITs* and overseas bond ETFs** and secured the lead in global stock brokerage.

Additionally, we are sharpening competencies in derivatives by expanding ETF LP coverage***, and ETF-linked services. We are expanding our base of overseas institutional clients through linkage with investment banking activities such as IPOs****, and block deals*****.

We will concentrate on further enhancing our market presence in traditional brokerage and exploring new business models to deliver optimal solutions that meet the diversifying needs of institutional investors.



* Real Estate Investment Trusts(REITs): pools funds from small sum investors to invest in real estate or related debt and pays out generated earnings to the investors in the form of dividends
** Exchange Traded Fund (ETF): A marketable security that resembles index funds and is traded on stock exchanges
*** Liquidity Provider (LP) coverage: Provides liquidity by quoting buy or sell prices
**** Initial Public Offering (IPO): The first time that the stock of a private company is offered to outside investors
***** Block deal: The trading of a large number of securities at an arranged price between two parties after the market close to minimize the impact on the market

Board of Directors Structure

The Board of Directors (BOD) is a major decision-making body that deliberates and decides on basic management policies and important issues regarding business execution in accordance with the law and the articles of incorporation. The BOD is comprised of eight directors: two inside directors, five outside directors, and one non-standing director. To ensure the BOD maintains its independence and fulfills its check and balance role, more than half of the BOD members are outside directors and the BOD chair position is filled by an outside director. To ensure the independence and fairness of the BOD, the Director Nomination Committee has been set up to recommend candidates who meet the criteria set forth in related laws. The nominated candidates are subject to approval by the BOD and the general shareholders' meeting.

In accordance with the articles of incorporation, a director's term is no longer than two years and a director can be reappointed after the term expires. According to related laws, an outside director can serve up to a maximum of six years in one company and a total of nine years when tenure at an affiliate is included. This is because a short tenure may hinder responsible management and give rise to the pursuit of short-term gains.

Independence and Expertise of BOD

To ensure expertise and diversity in the decision-making process, NH Investment & Securities gives due consideration to an individual's career and experience when selecting directors. In accordance with internal standards on corporate governance, we have strengthened the requirements for outside directors for fair and transparent appointment. As of the end of 2017, three of the BOD members are experts in financial systems, two in economics, two in finance, and one in legal matters.

The BOD holds regular meetings as well as extraordinary meetings when deemed necessary. In 2017, the BOD convened on 14 occasions, the rate of participation in BOD meetings was 92.5%, and the BOD deliberated on a total of 63 agenda items. At the regular BOD meetings, held on a quarterly basis, the BOD was briefed on business performance and discussed major issues surrounding the company. Over the year, the BOD reviewed and made strategic decisions on important matters including approval of the 2018 business plans.

Evaluations of the BOD, which plays a vital role as a decision-making body and keeps a check on management, are conducted at least once a year to see that the BOD is properly fulfilling its responsibilities as set forth in related laws and internal regulations. They include reviews of BOD meeting minutes and questionnaires filled by all of the directors. The department that acts as the BOD secretariat gathers the related materials and presents the evaluation results to the BOD. In accordance with commercial laws and the articles of incorporation, the limit on compensation for directors is decided by the general shareholders' meeting. Directors' compensations are set fairly and transparently based on evaluation criteria such as annual business targets and key performance indicators (KPIs), multi-dimensional assessments, and degree of BOD participation.

BOD Composition

(as of March 2018)

	Name	Age	Gender	Role (Title)
Inside director (2)	Jeong Young-chaе	54	Male	Chairman & CEO
	Choi Han-mook	60	Male	Standing Auditor
Outside director (5)	Lee Jung-jae	72	Male	-
	Lee Jang-young	63	Male	-
	Pyun Chan-woo	57	Male	-
	Kim Sun-kyu	66	Male	-
	Kim Ill-gun	66	Male	-
Non-standing director (1)	Lee Jeong-dae	65	Male	-

BOD Activities

	2015	2016	2017
No. of agenda items	62	57	63
No. of BOD meetings	14	13	14
Participation rate (%)	Outside director	100	89.3
	Inside director	93.3	96.4
	Non-standing director	100	100

Committees under the BOD

Name	Members	Activities and Responsibilities
Audit Committee	Standing auditor: 1 Outside director: 2	- Has the authority to request matters needed for auditing and all company information - Devise internal audit plans which are classified into financial audit, business audit, compliance audit, management audit and IT audit; carry out audits; evaluate audit results, take follow-up steps and present improvement measures - Evaluate the company's overall internal control system and present improvement measures
Director Nomination Committee	Outside director: 3 Non-standing director: 1	- Nominate director candidates to the general shareholders' meeting - Oversee matters related to nominating director candidates
Management Compensation Committee	Outside director: 3 Inside director: 1 Non-standing director: 1	- Oversee management performance evaluation and compensation - Determine compensation for management and payment method - Oversee calculation of compensation for finance investment personnel and payment method
Risk Management Committee	Outside director: 3 Inside director: 1	- Establish basic risk management policy and set risk levels - Set and allocate risk capital limits - Set limits on investment and loss - Oversee structure and division of work in the risk management organization - Oversee matters concerning the risk management information system

2017 BOD Meetings and Major Resolutions

Meeting No.	Date	Agenda Item	No. of outside directors present (total possible)
Extraordinary #1	2017.02.03	Approval of financial statements (draft) and business report (draft) and 5 others	2(3)
Extraordinary #2	2017.02.16	Briefing on resolutions of the Management Compensation Committee and 2 others	2(3)
Regular #1	2017.03.08	Resolution to convene annual general meeting of shareholders and 12 others	2(3)
Extraordinary #3	2017.03.30	Appointment of BOD chair and outside directors and 3 others	5(5)
Regular #2	2017.04.27	Briefing on execution of BOD resolutions in 1Q 2017 and 5 others	5(5)
Extraordinary #4	2017.05.25	Briefing on resolutions of the Management Compensation Committee and 2 others	4(5)
Extraordinary #5	2017.06.19	Approval of expansion into short-term financing business (draft) and 3 others	5(5)
Regular #3	2017.07.26	Approval of transaction with affiliate (draft) and 2 others	5(5)
Extraordinary #6	2017.08.31	Approval of 2017 corporate bond issuance plan (draft) and 2 others	5(5)
Extraordinary #7	2017.09.08	Briefing on current status and direction of global business and 1 other	5(5)
Extraordinary #8	2017.09.22	Approval of participation in K Bank's rights offering (draft)	4(5)
Regular #4	2017.10.31	Approval to raise the ceiling on the transaction amount with affiliates (draft) and 3 others	5(5)
Extraordinary #9	2017.11.30	Approval for ceiling on issuance of derivative products (draft) and 4 others	5(5)
Extraordinary #10	2017.12.27	Approval of 2018 business plans (draft) and 5 others	5(5)

Stakeholder Engagement

Stakeholder Selection and Classification

Communication with stakeholders is an integral part of sustainable management at NH Investment & Securities. We selected our stakeholder pool according to stakeholder categories of ISO 26000, the international standard on social responsibility. Depending on the legal, financial and operational responsibilities and impacts, we selected employees, customers, government and related organizations, shareholders and investors, and local communities as the major stakeholder groups. We maintain communication channels taking into account the characteristics of each group and make every effort to reflect stakeholders' opinions in our business activities.

Communication with Stakeholders




NHIS actions	Communication channel	Frequency
<div></div> <div>Employees (including labor union)<ul style="list-style-type: none">Setting up customized programs to hone capabilitiesCorporate culture innovationOffering various welfare benefits</div>	<div>Employees (including labor union)<ul style="list-style-type: none">Employee surveysEmployee meetingsLabor-Management CouncilIntranetOrganizational culture campaign</div>	<div>Employees (including labor union)<ul style="list-style-type: none">As neededAs neededQuarterlyYear-roundMonthly</div>
<div></div> <div>Customers (corporate/ individual)<ul style="list-style-type: none">Enhancing IT platform and digital servicesImproving complaint handling processDeveloping financial products and services tailored to customersDeveloping and promoting communication channels</div>	<div>Customers (corporate/ individual)<ul style="list-style-type: none">Website/SNSCustomer satisfaction surveysVOCInvestment presentationsEducation programs on post-retirement planningBranch counters</div>	<div>Customers (corporate/ individual)<ul style="list-style-type: none">Year-roundAs neededYear-roundYear-roundTwice a year/ monthlyYear-round</div>
<div></div> <div>Government and related organizations<ul style="list-style-type: none">Regular compliance monitoring and reportingFaithfully paying taxesEthical management training</div>	<div>Government and related organizations<ul style="list-style-type: none">Press releasesMeetings and conferencesPolicy proposal</div>	<div>Government and related organizations<ul style="list-style-type: none">Year-roundYear-roundYear-round</div>
<div></div> <div>Shareholders and investors<ul style="list-style-type: none">Regular risk assessments and adjustmentsExploring new markets and portfolio enhancementTransparent disclosuresReview of management's performance evaluation and compensation policy</div>	<div>Shareholders and investors<ul style="list-style-type: none">WebsiteIR activitiesShareholders meetingsMajor periodic reports</div>	<div>Shareholders and investors<ul style="list-style-type: none">Year-roundYear-roundOnce a yearYear-round</div>
<div></div> <div>Local communities<ul style="list-style-type: none">Volunteering, support for farming communitiesDonations, scholarships</div>	<div>Local communities<ul style="list-style-type: none">Company volunteer groups'Another Town' initiative</div>	<div>Local communities<ul style="list-style-type: none">Year-roundYear-round</div>

Stakeholder Engagement

Stakeholder Interview

To provide better value for all stakeholders, we selected representatives from the stakeholder groups (customers, employees, related organizations, local communities, partner companies) and conducted interviews to gather their opinions.


Korea Financial Investment Association



"Secure competitiveness with differentiated business strategy"

Competition has heated up between domestic financial investment companies as the fourth industrial revolution breaks down barriers separating the different financial segments and new competitors like fintech companies appear. In order to survive, NH Investment & Securities has to draw up a differentiated business strategy and offer products tailored to customers' needs. It also has to make efforts to secure competitiveness for sustainability such as protecting financial consumers and providing financial solutions that have value.

Kim Jae-hyeon, manager
(Related organizations)




"Reinforce customized services"

The most important thing when communicating with customers is identifying their areas of interest. Satisfaction levels are high for the programs offered to customers by the Longevity Research Institute as they deal with recently highlighted issues such as health, hobbies, and life in the golden years. I believe it is a customer service unique to NH Investment & Securities. I hope the company will provide customized information and services that reflect the traits of individual customers and see customer satisfaction lead to customer value creation.

Kim Eui-gyu
(Individual clients)


NH Investment & Securities




"HR management and IT enhancement"

To ensure sustainability, a financial institution has to catch two birds with one stone, that is, pursue human resources and IT. It would not be an exaggeration to say that finance is IT, considering the importance of IT in the financial investment industry at present. Human resources are also important. NH Investment & Securities will expand investment in IT to stay competitive while securing talent who will lead the financial investment business and honing skills to spearhead financial markets of the future.

Song Chi-yeol, manager
(Employees)



Korea Pediatric Cancer Foundation




"Company that stands by the less fortunate in society"

NH Investment & Securities has supported projects that instill hope among children suffering from cancer. In particular, it has also shown much interest in initiatives that look after the emotional needs of young patients. As our programs help these children grow up to be healthy adults and contribute to society and the country, I hope NH Investment & Securities can continue to join us in our efforts to tackle the difficulties facing pediatric cancer patients and their families.

Yoon Jin-seok, manager
(Local communities)

Design Korea



"Trust derived from transparent management of partner companies"

Trust is the most basic and most important factor for a financial institution. This is also true when it comes to relationships with partner companies. From the standpoint of a vendor, NH Investment & Securities is an attractive partner since it handles all processes with transparency and fairness, from the bidding stage to the selection and management of vendors. I hope it will continue to grow together with its business partners through smart work practices and efficient decision-making rooted in a foundation of trust.

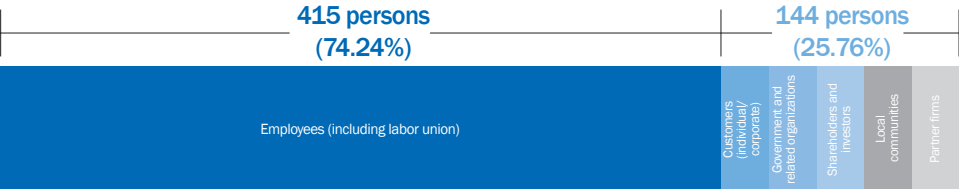
Jeon Eun-gyeong, team leader
(Partner firms)

Stakeholder Survey

Survey Overview

We conducted a stakeholder survey to determine the key issues concerning each stakeholder group and their level of significance. Through the survey, we identified sustainability related trends, impacts and internal capabilities that deserve priority attention in order for NH Investment & Securities to grow as a sustainable company. We derived the material issues based on the survey findings.

Survey Outline



Survey questions

Trend	Impact	Internal capability
External economic, social and environmental trends that affect NHIS (source: global CSR agenda)	External economic, social and environmental trends that are affected by NHIS (source: GRI Standards)	Issues concerning NHIS's internal capabilities in each financial and non-financial performance segment (source: IIRC <IR>)

Survey Results

The survey found that the most important issue affecting sustainable management at NH Investment & Securities is securing talent and strengthening competencies. In terms of the impact that our sustainable management activities have on society, the most important issue was the protection of customers' personal information. As for internal capability, the most important issues was the need to continue reinforcing devotion to the company and motivation to enhance performance.

Top 5 Issues per Survey Category

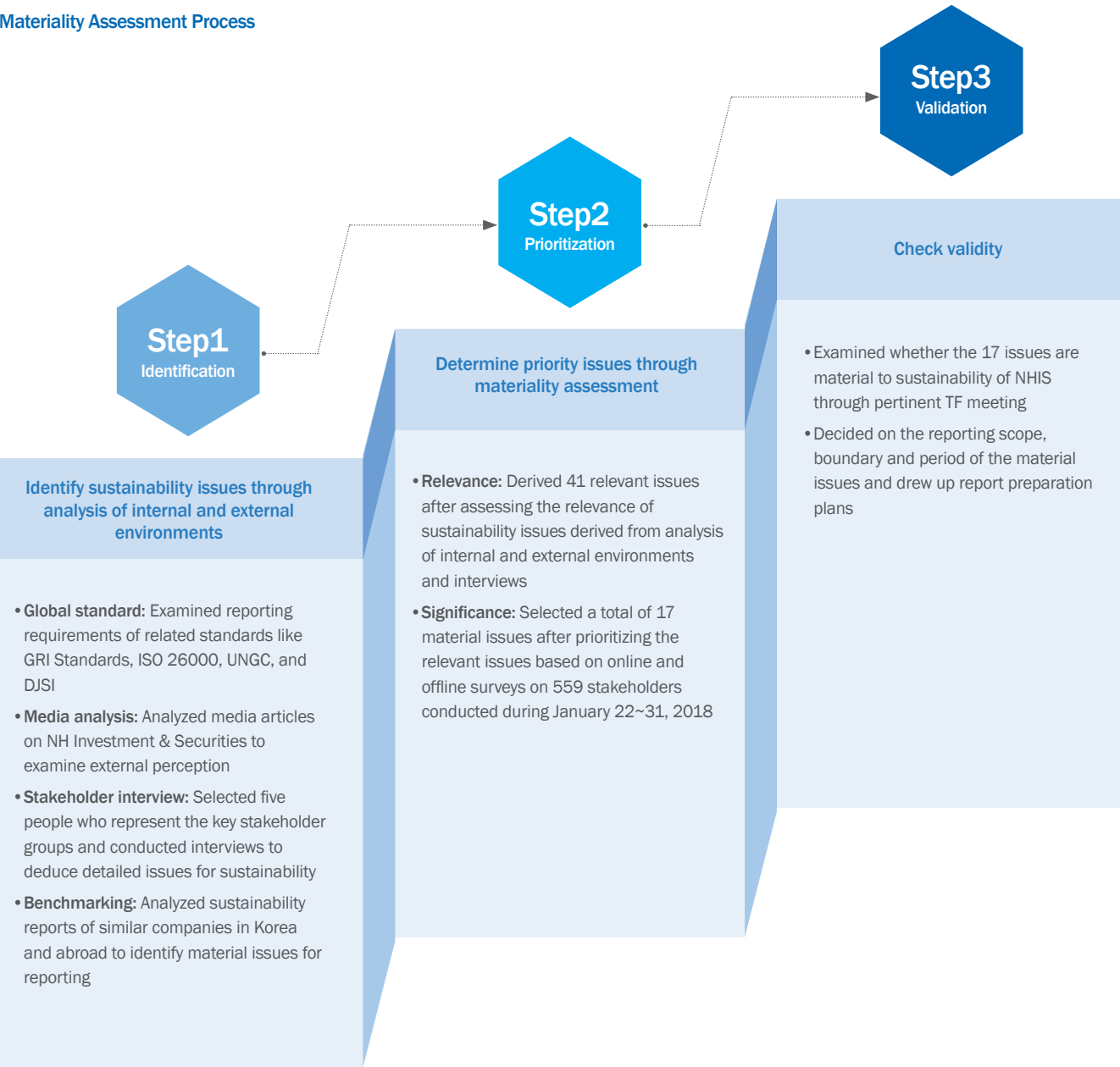
Trend	Impact	Internal capability
Growing importance of securing talent and strengthening competencies	Protection of customers' personal information	Devotion to company and motivation to enhance performance
Tighter IT security, growing demand for prevention of financial accidents/crimes	Compliance with ethics and laws	Ability to understand/devise and implement organizational vision and strategy
Growing demand for corporate transparency and ethical management	Employee training and education	Relationship with major stakeholders (communication) and trust
Stronger product and service responsibility	Management of economic, social and environmental risks	Company reputation and brand management
Response to changes in financial regulations	Respect for employee diversity and equal opportunity	Funds that can be used to develop financial products and provide services

Materiality Assessment 2017

Materiality Assessment Process

To identify material issues for sustainability reporting, we conducted a materiality assessment based on the principles of sustainability context, materiality, completeness and stakeholder inclusiveness as set forth in ISO 26000 and GRI Standards. Our sustainability report focuses on issues in which our stakeholders have a high degree of interest and those that have a high relevance to our management strategy and business operations.

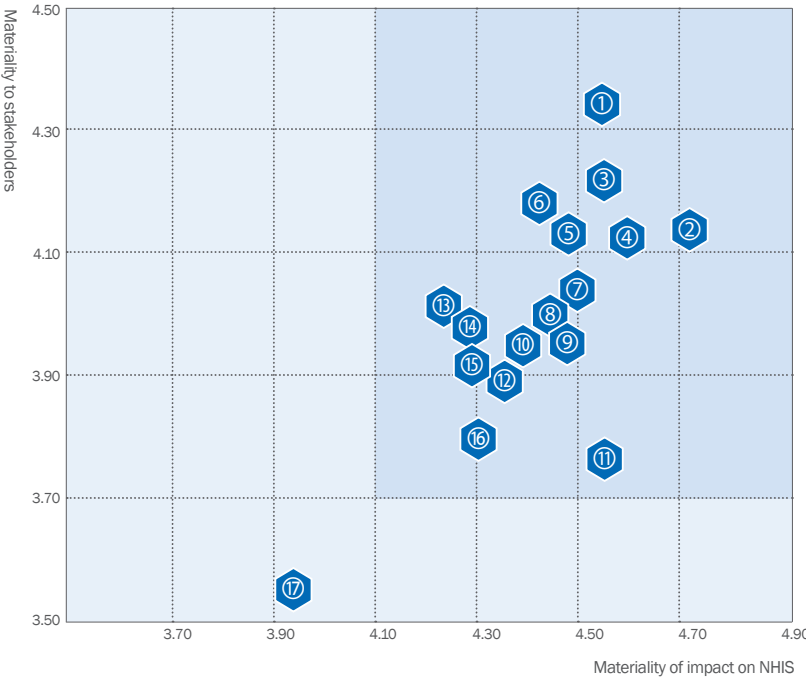
Materiality Assessment Process



Materiality Assessment Results

Internal and external stakeholders of NH Investment & Securities assessed the materiality of various sustainability issues depending on the levels of risk, opportunity and impact. The most important topics chosen by employees and other stakeholders were issues related to ‘protection of customers’ personal information,’ ‘securing talent and strengthening competencies,’ ‘prevention of financial accidents/crimes,’ and ‘transparency and ethical management’.
















Materiality Assessment Matrix

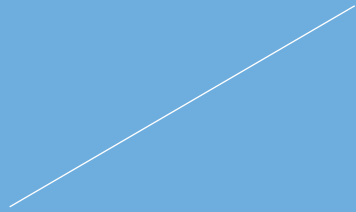


Material Issues

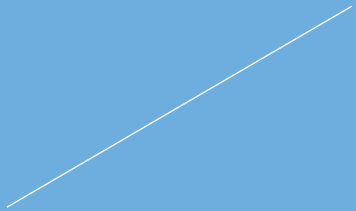
- ① Protection of customers’ personal information
- ② Securing talent and strengthening competencies
- ③ Tighter IT security, growing demand for prevention of financial accidents/crimes
- ④ Growing demand for corporate transparency and ethical management
- ⑤ Prevention of corruption and compliance with regulations
- ⑥ Stronger product and service responsibility (responsible investing, proper product sales, accurate explanations, etc.)
- ⑦ Response to changes in financial regulations
- ⑧ Development of products and services that reflect market changes
- ⑨ Digitalization of finance (fintech, use of big data, etc.)
- ⑩ Respect for employee diversity and equal opportunity
- ⑪ Growing demand for employee welfare/rights (work-life balance)
- ⑫ Expansion into global markets and strengthening the business portfolio
- ⑬ Economic performance (income, taxes, distribution to stakeholders, etc.)
- ⑭ Diversifying customer demand
- ⑮ Management of economic, social and environmental risks
- ⑯ Improving access to financial services (include customers and the financially marginalized)
- ⑰ Participation in and contribution to local communities

Material Issues and Report Content

Dimension	Material issue	Stakeholder	SDGs	pag
Risk Management & Compliance	Management of economic, social and environmental risks	All stakeholders		31~33
	Growing demand for corporate transparency and ethical management	All stakeholders		34~35
	Prevention of corruption and compliance with regulations	Employees, government & related organizations	 	34~45
	Growing demand for prevention of financial accidents/crimes	Customers, government & related organizations		36
Sustainable Growth	Response to changes in financial regulations	Employees, government & related organizations		38~39
	Economic performance (income, taxes, distribution to stakeholders, etc.)	All stakeholders	 	64~66
	Expansion into global markets and strengthening the business portfolio	Shareholders & investors		40~42
	Digitalization of finance (fintech, use of big data, etc.)	Customers		43~45
Service Leadership	Diversifying customer demand	Customers		47~49
	Development of products and services that reflect market changes	Employees, customers		44~45, 52
	Improving access to financial services (include customers and the financially marginalized)	Customers, local communities	  	50
	Stronger product and service responsibility (responsible investing, upright product sales, accurate explanations, etc.)	Employees, customers		51~52
	Protection of customers’ personal information, tighter IT security	Customers		50~51
	Securing talent and strengthening competencies	Employees		54~55
Workforce and Talent	Respect for employee diversity and equal opportunity	Employees	   	54
	Growing demand for employee welfare/rights (work-life balance)	Employees		56~57
Community Investment	Participation in and contribution to local communities	Employees, local communities	   	59~61



AT NH INVESTMENT &
SECURITIES, OUR VISION OF
GROWTH IS MORE THAN SIMPLE
ABUNDANCE THAT COMES
FROM GROWING PROFITS.
RATHER, IT IMPLIES GROWING
TOGETHER WITH DIVERSE
STAKEHOLDERS THROUGH THE
BALANCED PURSUIT OF
ECONOMIC GAINS, SOCIAL
RESPONSIBILITY AND
ENVIRONMENTAL SOUNDNESS.
WE ARE DRAWING ON OUR
SUSTAINABILITY COMPETENCIES
TO BE A COMPREHENSIVE
FINANCIAL INVESTMENT
COMPANY THAT SETS AN
EXAMPLE FOR OTHERS.



Our Material Issues

Risk Management & Compliance / Sustainable Growth
Service Leadership / Workforce and Talent
Community Investment

Risk Management & Compliance



2017 KEY PERFORMANCE

- Conducted 1,241 RSAs* and KRI** reviews
- Established internal grading system for credit risk
- Overhauled derivative evaluation system***
- No. of persons who received ethical management training: 1,576 (only includes collective training sessions)

1

Why is it Important?

Risk management is an essential factor for bolstering profits and creating value for stakeholders. Without risk, a company will find it difficult to generate profits, grow, or develop. This is why preemptively responding to financial and non-financial risks that influence business activities is important to ensure sustainability. A key business of the financial investment industry is managing assets entrusted by customers. Conflicts of interest may arise between the company and the customers due to the risk of loss of principal and complexity of financial and investment products. Therefore, reactive supervision in accordance with the law is insufficient when it comes to the actions of people serving in the financial investment industry. In order to preserve customers' assets and protect financial consumers, the company and its employees must practice ethical management.

2

What is our Approach?

NH Investment & Securities maintains preemptive and postliminary processes to manage all risks that may arise in the course of carrying out business activities. We have a department dedicated to risk management and business ethics. We have prepared guidelines and strategies to deal with risks depending on the type of risk, the type of business and the object of risk management. Financial and non-financial risks including ethics and compliance are subject to rigorous analysis and regular monitoring, and the related findings are relayed to the management. We have organized training on risk management and ethics for all employees and operate a system through which related problems can be reported should they occur. We seek to enhance corporate sustainability and social responsibility through preemptive risk management and commitment to ethics.

3

Material Issues in 2017

- Management of economic, social and environmental risks
- Growing demand for corporate transparency and ethical management
- Prevention of corruption and compliance with regulations
- Growing demand for prevention of financial accidents/crimes

4

Our Next steps

- Segment risk indicators and upgrade risk measurement model
- Set up overseas investment risk management system with risk checklist
- Hold regular meetings of the Derivative Linked Securities Issuance Committee and improve stress test scenarios
- Prepare and distribute due diligence manual for FATCA/CRS****
- Hold training on internal control tailored to needs of business departments

* RSA: Risk Self Assessment
** KRI: Key Risk Indicator
*** Derivative evaluation system: in-house developed system for evaluating financial products and measuring risk (QED: Quod Erat Demonstrandum)
**** FATCA: Foreign Account Tax Compliance Act / CRS (Common Reporting Standard); Global standard for automatic exchange of financial information developed by the OECD

Risk Management

Risk Management Framework

Risk Management Governance

NH Investment & Securities has in place a risk management department and decision-making bodies in order to systematically manage risks. The organizational unit in charge is the Risk Management Department, which reports directly to the CEO and is overseen by the CRO (Chief Risk Officer).

The related decision-making bodies are the Risk Management Committee, Risk Management Council, and the Investment Business Council. Through a multilayered decision-making process that makes use of this system, we are able to methodically manage risks. The highest decision-making body is the Risk Management Committee which is under the Board of Directors and sets the basic risk management policy and strategy. The Risk Management Council is chaired by the CRO and deals with working-level decisions related to managing risks. The Investment Business Council oversees various transactions that entail credit risk.

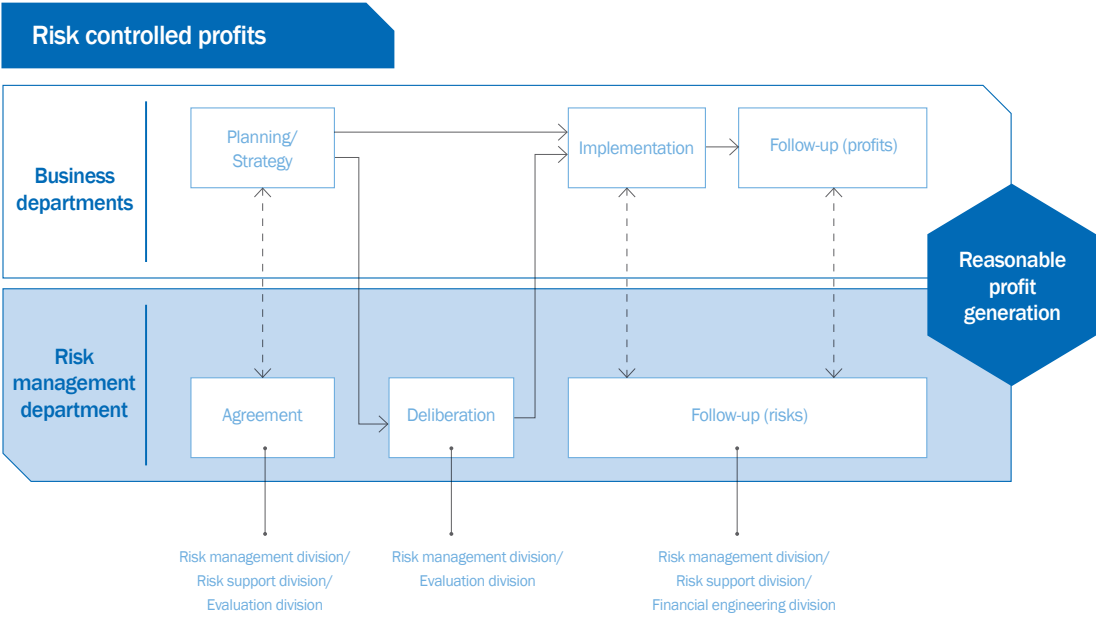
Risk Management Organization

Organization	1 Department (Risk Management Dept.) 4 Divisions (Risk Management Div., Evaluation Div., Risk Support Div., Financial Engineering Div.)
Committee*	Risk Management Committee (9), Risk Management Council (54), Investment Business Council (56)

* Numbers in brackets refer to number of sessions convened in 2017



Risk Management Process



Types of Risk & Response Measures

Market Risk

Market risk refers to the risk of loss arising from market fluctuations such as changes in interest rates, prices of securities and foreign exchange rates. To control market risk, we set risk limits using Value at Risk (VaR). We also use sensitivity analysis and other methods to manage market risk.

Credit Risk

Credit risk refers to the risk of loss associated with creditworthiness such as default on debt, the failure of a counterparty to meet its financial obligation or a decline in the credit rating. To manage credit risk, we set credit limits depending on the counterparty to a transaction and credit rating. We vary the decision-making process according to credit rating and scale of transaction to enhance asset quality.

Liquidity Risk

Liquidity risk refers to the risk of loss associated with a shortage of funds which could entail raising funds at higher costs and the disposal of assets on unfavorable terms. To avoid such losses, the departments in charge of managing risk and managing funds regularly monitor indicators such as the liquidity ratio. We classify liquidity risk into three stages and have prepared response measures for each stage.

Operational Risk

Operational risk refers to the risk of loss arising from problems with internal processes or human and system errors. To control operational risk, we have set up an operating risk management system (ORMS) that encompasses the entire company. Also, each organizational unit has a risk manager who carries out risk self assessments (RSA) on a daily or monthly basis and oversees key risk indicators (KRI). This enables regular inspection of risk levels throughout the company and preemptive control of potential operational risks.

Response by Risk Type

	Risk type	Details	Response (measures)
Financial risk	Market risk	Risk of loss due to fluctuations in financial markets (share prices, interest rates, foreign exchange rates, etc.)	VaR, sensitivity analysis, loss limits Regular monitoring and reporting of risk
	Credit risk	Risk of loss due to a change in the counterparty's credit standing	Credit limit according to business purpose/ credit rating, preliminary review
	Liquidity risk	Risk of loss from a shortage of operating funds and in the course of raising funds	Regular monitoring and reporting of liquidity ratio
Non-financial risk	Operational risk	Risk of loss due to problems/errors in process, people and system	Designating risk managers at organizational units, regular risk assessments
	Environmental risk	Risk of having a negative impact on the environment due to investment in a business or company that is not eco-friendly	Preliminary inspection by the risk management units and committees

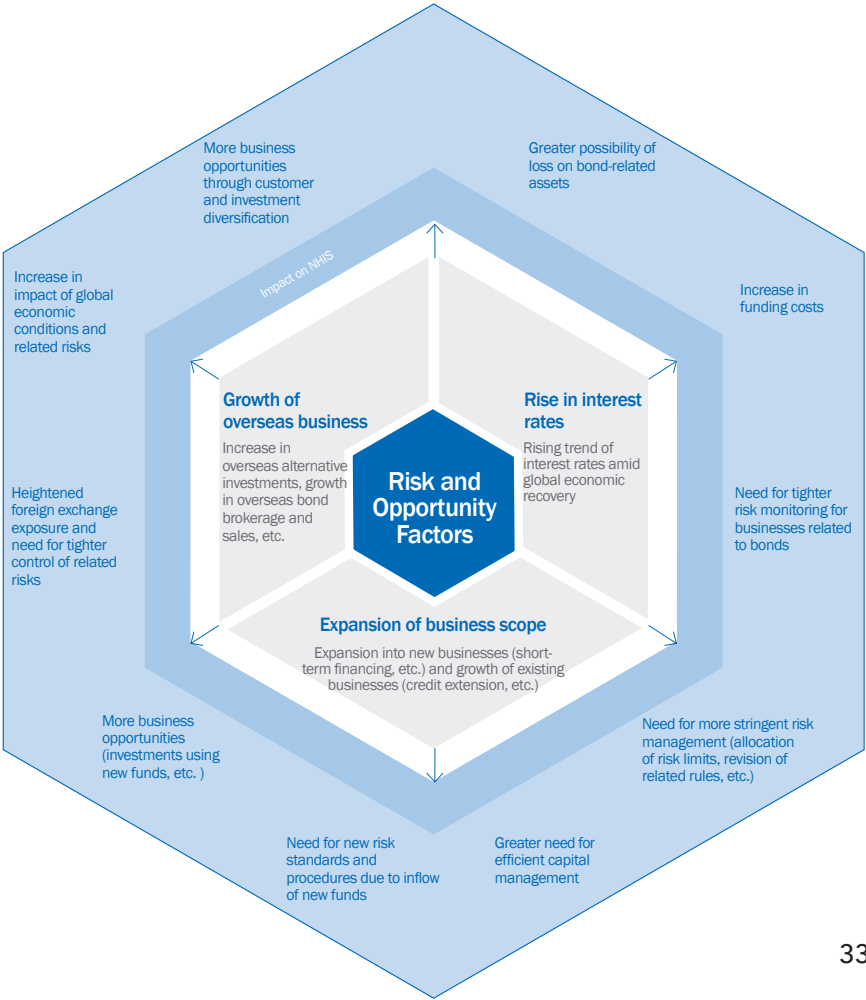
Efforts to Strengthen Risk Management

	Details
Upgrade risk management system	Enhance/redevelop ALM system* for calculation of liquidity ratio, etc.; market risk management system to calculate VaR; system to manage exposure limit per entity; and operational risk management for risk self assessment
Implement stage-by-stage risk management	Classify risk into green, yellow and red levels for preemptive risk management
Set up monitoring system	Periodically inspect (daily/monthly/quarterly) various risk limits, report to the management
Revise rules/regulations	Revise rules and regulations in response to changes in the business and financial environments
Organize risk management training	Promote risk management culture with risk management training and education (video program) for all employees

* ALM: Asset Liability Management

Risk and Opportunity

NH Investment & Securities conducts thorough analysis of risk factors that are expected to have a significant influence on business activities and the magnitude of their influence in order to turn risks into new opportunities.



Ethical Management

Ethical Management Framework

As a pioneer in the financial investment industry, NH Investment & Securities leads the way in the practice of ethical management to encourage all employees to understand and strictly observe professional ethics in carrying out their duties. As a member of the NH Financial Group, we strive to earn our customers and society’s trust by fulfilling our economic, legal, and ethical responsibilities with the goal of becoming ‘Beloved Nonghyup - ethical awareness in action and integrity’.

Ethical Management Organization

We formed the Ethical Management Committee to establish an ethical corporate culture and undertake comprehensive management of decisions and assessments related to ethical management policies. The Committee is headed by the CEO and assisted by the Ethical Management Secretariat. Under the compliance officer’s supervision, the Compliance Division handles areas that fall within its purview. The Ethical Management Secretariat supports the compliance officer and the Ethical Management Committee through its main duties, which are to establish and implement ethical management plans, provide employee training, and operate a center to accept suggestions and reports.

Ethical Management Regulations

In order to achieve the ethical management that NH Investment & Securities aspires to, we adopted a Code of Ethics, based on which we established the Employee Code of Conduct. The Employee Code of Conduct guides the behavior of employees in every position and helps them apply ethical standards to the real life work environment. The Code of Conduct broadly consists of responsibilities, fair performance of work duties, prohibition on ill-gotten gains, cultivation of a sound workplace culture, and response measures to violation. These are official company regulations concerning compulsory ethical standards, and we enforce compliance by taking disciplinary action and other measures on employees who violate the Code. You can learn more about NH Investment & Securities’ ethical standards, Code of Ethics, and Employee Code of Conduct on the company’s website (www.nhqv.com).



Ethical Management Declaration Ceremony

Internalization of an Ethical Management Culture

Ethical Management Action Program

We operate a variety of systems to help us practice ethical management. Early on in each year, we hold the ‘Resolution Rally for the Practice of Ethical Management’ attended by management and department heads or above. We have also designated November 2 as Ethical Management Day, and on that day, we send out a letter from the CEO, distribute ethical management brochures, pin on ribbons celebrating Nonghyup’s integrity, and hold other events designed to raise employees’ ethical awareness and help a clean corporate culture take root. We also require all employees to submit an ‘Ethical Management Action Pledge’ and ‘Anti-graft Law Compliance Pledge’ every year. Employees in charge of construction/service/sales contracts are further required to submit pledges promising to enter into contracts of integrity. The Contract of Integrity Compliance Pledge was previously submitted once yearly, but has been required twice yearly since 2017 to help strengthen ethical awareness in employees involved in contract-related activities.

All employees also complete an ‘Ethical Awareness Self Evaluation’ yearly, the results of which are used to rectify shortcomings and establish ethical management action plans. During the major holidays such as the Lunar New Year and Chuseok, each department or branch operates a Gift Return Center so that ill-gotten gifts can be immediately returned or donated to social facilities. Thanks to efforts to raise ethical awareness, cases of returns and donations are on the decrease.

Ethical Management Training and Education

We carry out ongoing training and education programs to enable the internalization of a culture of ethical management and to help NH Investment & Securities members appreciate that ethical management is fundamental and requisite to a company’s sustainability. We provide half yearly training on internal control for the compliance managers and team leaders of each department and sales branches. Ethical management is included as a mandatory part of the training, emphasizing the importance of practicing ethical management and fostering awareness of related procedures and systems. Departments and branches also independently carry out monthly ethical/legal compliance training. In particular, they are required to hold training on anti-graft laws and internal whistleblower system once every quarter to improve employees’ understanding of the relevant procedures and systems.

Additional efforts include a weekly online video training program and the inclusion of an ethical management course in the training given to new employees and employees changing positions. In 2017, there were 40 online training sessions, including 7 irregular sessions, accessed by 166 trainees. We also changed the online process so that trainees had to pass a quiz at the end of each session to receive recognition for completing the course.

Ethical Management Monitoring and Prevention System



Whistleblower System

We operate a whistleblower system that allows employees to report the violation of regulations, corruption, misconduct, or wrongful actions without fear of being exposed. The system can be used internally by employees as well as externally by customers, counterparties to contracts, and other interested persons to report the company or its employees. When it is difficult or infeasible to use our whistleblower system, NACF also has an anonymous whistleblower system available online (www.nonghyup.com ► ‘Clean Reporting’ Center ► Helpline). We institute a mandatory internal whistleblower period twice a year, and added stickers with QR codes in restrooms at the head office and branches to minimize the time and effort it takes to submit reports to make the process convenient for whistleblowers.

Whistleblowing Channels

Common (internal/external)	<ul style="list-style-type: none">• Interview with compliance officer (NHIS head office, 10th floor)• Mail, telephone, fax• NHIS website - Whistleblower Center - Internal/External Report• QR code scan - mobile website - Whistleblower Center
Miscellaneous	<ul style="list-style-type: none">• Employees: Company intranet (Nhow - Compliance Plaza - Internal Report)• Counterparties to contracts: Scan of QR code on the bottom of survey (Surveys are sent after the contract has been fulfilled.)

Internal Control System for the Prevention of Financial Accidents

In order to prevent financial accidents, we have established internal control policies and compliance monitoring programs. Implementation results are reported internally to the Board of Directors (once yearly) and Internal Control Committee (twice yearly) as well as externally to our holding company NH Financial Group at regular intervals to strengthen the execution of the measures. We also drew up 'Internal Control Strengthening Measures' intended for all employees to prevent the occurrence of accidents or enable early detection. Our Compliance Division includes a real-time inspections team that checks whether all the departments and branches are complying with regulations and monitors for unfair transactions that violate the stock exchange rules. Moreover, the branches and head office departments are working to prevent financial crimes and accidents by performing regular inspections and strengthening inspection categories and monitoring functions depending on the nature of the work or product.

Anti-Money Laundering (AML) System

Anti-money laundering is not only about reporting cases but refers to a whole process that begins with identifying suspicious transactions or ones that involve large sums of cash, such as may occur in the course of concealing illegal funds into legitimate funds through financial institutions. Financial crimes and corruption such as tax evasion, foreign exchange crimes, stock manipulation, fraud, embezzlement, malpractice, habitual gambling, bribery, drug-related crimes, and terrorist financing have an adverse effect on individuals, society and the nation. Preventing such crimes is of the utmost importance.

In February 2018, we completed and began operating the industry's first risk-based approach (RBA) system. The RBA system will increase our anti-money laundering efficiency by carrying out more meticulous inspections of transaction risks.

Internal Control Training

We provide an online training program for all employees to enhance their understanding of internal control activities and to increase their awareness of compliance. Besides the online program, CM and team leaders receive regular half-yearly training. We also invite outside lecturers to continue improving the quality of the training programs. We provide additional training on ethical management, anti-graft laws, and internal control as needed to specific departments and positions. In 2017, a total of 258 employees participated in 19 training sessions (excluding online training).



Internal Control Homepage

Warning Letter Issued by Compliance Officer

We provide an online training program for all employees to enhance their understanding of internal control activities and to increase their awareness of compliance. Besides the online program, CM and team leaders receive regular half-yearly training. We also invite outside lecturers to continue improving the quality of the training programs. We provide additional training on ethical management, anti-graft laws, and internal control as needed to specific departments and positions. In 2017, a total of 258 employees participated in 19 training sessions (excluding online training).

Sustainable Growth



2017 KEY PERFORMANCE

1

Why is it Important?

The financial investment industry is affected not only by the economic situation and business fluctuations within a country, but also by external variables including political, social and cultural factors. With the recent signs of synchronized movement of the global economy, the industry is further affected by the financial markets in other countries. Market fluctuations lead to high earnings volatility in the industry. Thus, it is important to build a response system based on thorough analysis of the business environment and secure a stable profit structure. As both the volume of domestic financial assets and interest in a variety of investment products continue to grow, the financial investment industry is expanding beyond the border to the global stage. Meanwhile, the rapid development of big data, AI, IoT, and other new technologies is also changing the industry and it is necessary to respond strategically to such changes in order to survive the fierce competition.

We seek earnings growth and stability by diversifying our business portfolio giving due consideration to the characteristics of the financial investment industry and by entering new business areas. A decision-making body enables us to make decisions swiftly and to strengthen our professionalism, while management performance analysis meetings are held regularly to help achieve balanced growth in all business areas and thorough oversight over performance. We established the direction of our digital strategy to take the lead in responding to digital innovations and created a new department assigned to phasing in the transition to a data-based digital platform. In addition, we are proactively responding to the digital trend with development/release of digital-related products and services, formation of a digital wealth management platform, reorganization of mobile services, participation in the fintech/digital bank industries, digital marketing, and more.

3 Material Issues in 2017

- Response to changes in financial regulations
- Economic performance
- Expansion into global markets and strengthening the business portfolio
- Digitalization of finance

- Respond to changes in the financial environment and implement risk management that reflects market situations
- Revise rules and set up risk management process in preparation for entering short-term financing sector, expanding credit business, etc.
- Continue expanding presence in the global market
- Build big data platform and carry out digital innovation projects
- Participate in digital/fintech pursuits via holding company

Economic Value Creation

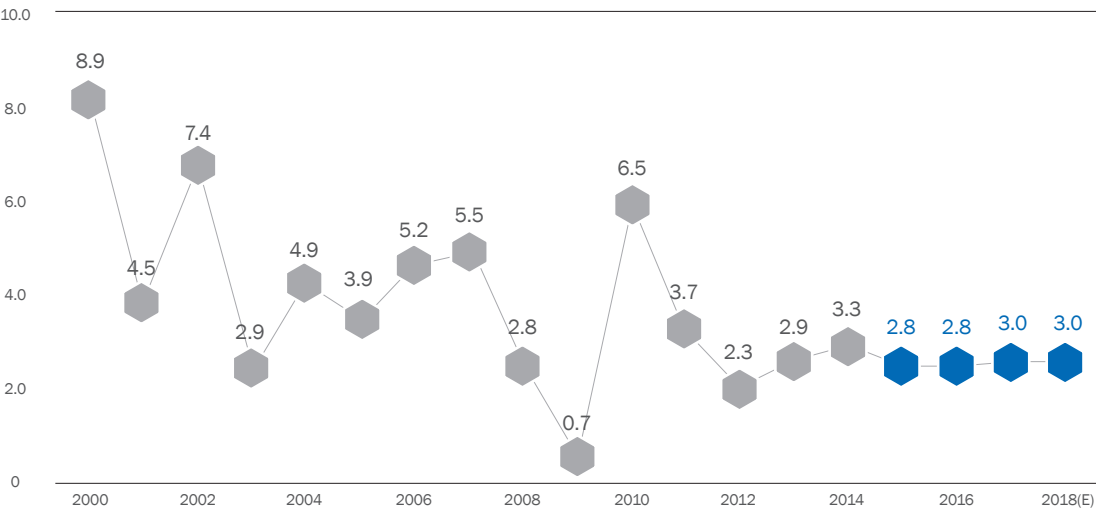
Responding to the Business Environment

Economic and Interest Rate Outlook

In 2018, Korea's export environment is expected to improve steadily as the effects of economic stimulation in developing countries materialize and the global economy continues to recover. The domestic economy is expected to follow the general direction of 2017 and stay on a recovery path. However, with stricter real estate regulations, we have neutral expectations for domestic demand and predict domestic GDP growth in 2018 to remain steady at 3.0%, the same as 2017.

The rise in interest rates from late 2016 to early 2017 put an end to the mid-term downtrend of interest rates, but the global economy has been slower to recover than expected and it appears likely that interest rates will climb in earnest after 2018. In light of the global interest rate cycle, we expect interest rates to increase in 2018. However, real estate regulations and concerns of a slump in domestic demand will make it difficult to fully apply the scale of US interest rate hikes in Korea.

Korea's GDP Growth Rate, %



* Source: International Monetary Fund (IMF)

Industry and Market Outlook

Taking the economic cycle and monetary policies into account, the global stock markets are expected to be bullish in the first half of 2018 but move sideways or decline in the second half. The outlook for the domestic stock market is positive thanks to favorable corporate earnings and mitigation of uncertainty in the financial markets. Foreigners are expected to lead the market's rise, whereas domestic individual and institutional investors are likely to limit their buying. In the brokerage market, low brokerage fees are becoming a fixture due to the competition to lower fees and the increase in online/mobile transactions.

The low interest rate environment is lowering the return on existing products while demand is on the rise for medium risk, medium return products. Consequently, we predict growth in the markets for products related to private equity investment and overseas/alternative investments. With earlier retirement ages and longer life expectancies, forming long-term relationships with customers will become increasingly important, and we expect a greater need for wealth management services.

In the domestic investment and securities industry, M&As between securities firms and key competitors' capital expansion have laid down the foundation for the birth of mega securities firms. The boundaries separating banking, securities, insurance, and other financial sectors is weakening, which is also leading to fiercer competition. On top of this, fintech companies are entering the market armed with convenience, price competitiveness, and brand familiarity among the digital generation. They have been a factor in raising customer expectations and lowering fees, and thus pose a threat to the industry.

System and Policy Outlook

Financial investment is a regulated industry and thus heavily influenced by the direction of policies of the government and financial authorities. Recently, the Financial Supervisory Service (FSS) began revising various systems to strengthen the 'investment bank' role of securities firms. It also established and began implementing policies to increase the transparency of financial companies and strengthen protection for financial consumers. Government policies designed to nurture SMEs and venture companies focus on securities firms' functionality in distributing venture capital, while the aging population has prompted other policies to focus on products to grow wealth. As a result, a variety of financial products, including retirement/personal pensions, ISA, etc. are available on the market. With such domestic policies and financial systems, we expect greater autonomy and business opportunities but also higher compliance costs for the financial investment industry.

NH Investment & Securities' Response

The financial investment market can be said to represent perfect competition. The participants in the Korean market, which include not only the domestic players but also foreign companies, face unlimited competition. Even as the pressure becomes more intense, NH Investment & Securities is looking for new earning opportunities by establishing growth strategies that make the most of its unique qualities and advantages. Although the growth of each business segment is important at a financial investment company, so is developing services through organic connections and synergy between the segments. Only then can a company differentiate itself and provide investors with innovative financial services. Accordingly, we strive to achieve balanced progress in all business areas and maintain the highest level of competitiveness across the board.

We also established a long term digital strategy based on our belief that how a financial investment company responds to the new digital generation will determine its future growth.

In order to reinforce product competitiveness, we are expanding our lineup of in-house products using investment banking/trading capabilities and diversifying our product range to foreign/alternative investments. Going forward, we will fortify our business model based on our competitiveness in all business units and fulfill our role as the leading comprehensive financial investment company in Korea's capital market while putting customer value first. Based on unique products and professionalism, we will meet our customers' every financial need and connect them with optimal capital market solutions. In doing so, we will take our place as a leading platform player and effectively respond to the financial market's changing paradigm.



Strengthening Business Capabilities

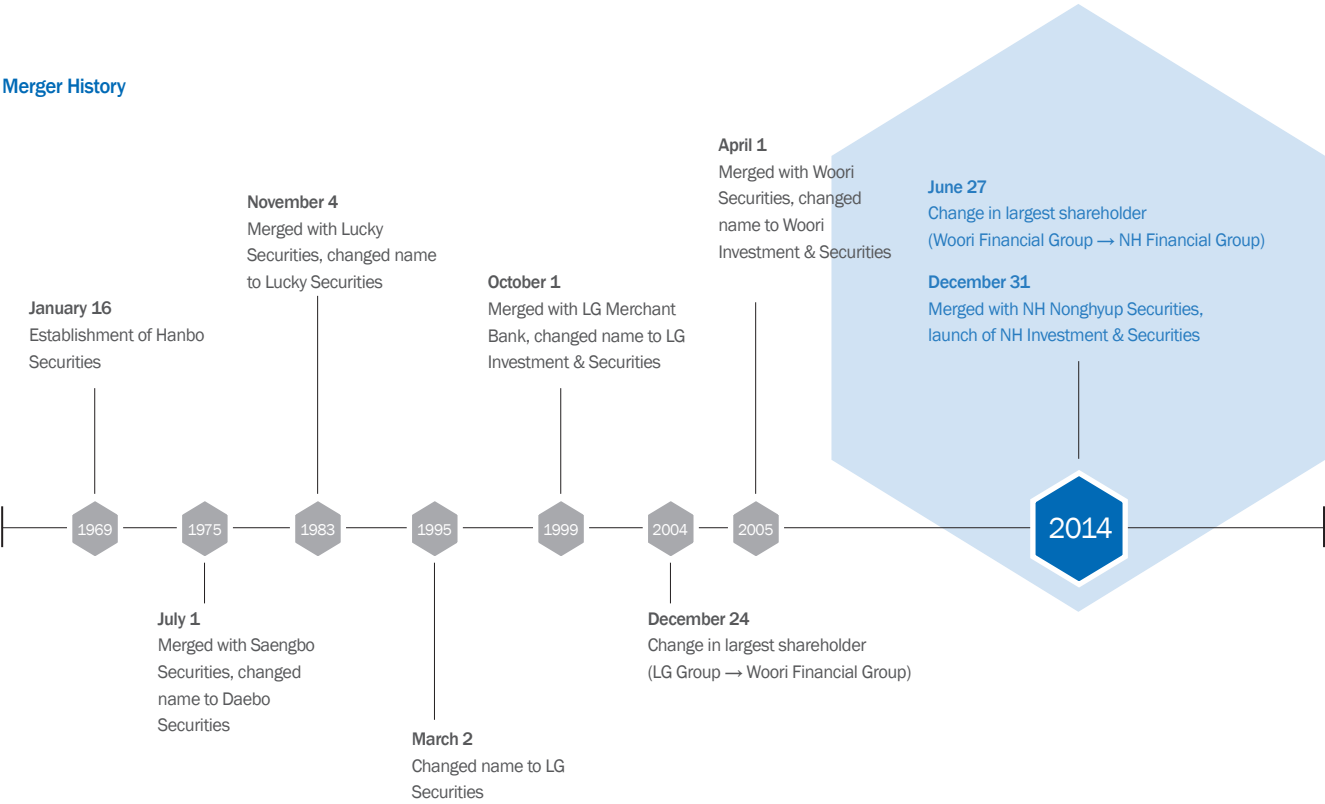
Creating Synergy through M&A

From the beginning as Hanbo Securities to the launch of NH Investment & Securities, we have grown through a series of successful mergers. Since the merger in 2014, we have carried out a comprehensive integration that goes beyond the physical combining of business units to include the combining of human resources and labor unions. This has allowed us to solidify our role and position as a member of NH Financial Group. Despite the fast-changing competitive landscape of the securities industry, we drew strength from years of experience to continue bolstering our fundamentals. We also formed creative partnerships with various stakeholders to fulfill our role as the leading comprehensive financial investment company in Korea's capital market.

We are leading the way in generating synergy with NH Financial Group based on solidarity within the tight-knit organization. NH Financial Group has independent companies in banking, insurance, asset management, and other areas of finance. Making the most of this backdrop, NH Investment & Securities is at the forefront of efforts to increase earnings through synergy between affiliates. The combination of our market-leading wealth management competencies and asset management knowhow and NH Financial Group's extensive customer network and funding power is creating synergy across the board in all business segments. Consequently, we achieved our best ever operating results in 2017.

We will continue to utilize the synergy between all NH affiliates to explore earning opportunities and provide comprehensive financial solutions to suit the investment needs of our customers based on the experience we have accumulated over the years. We will also focus on developing financial products and services unique to NH Financial Group to stand out as the industry's most competitive and capable company.

Merger History



Expansion into Global Markets

We currently have six local subsidiaries and two overseas offices in six countries. We are working to strengthen their functionality as the supply channel for foreign assets and products and to emerge as a key player in the local markets. The Hong Kong subsidiary is engaged in investment banking (IB), trading, and equity sales. Its focus is on brokering foreign bonds to domestic customers and IB deal sourcing. It recorded strong results anchored by IB and trading thanks to cooperation with NH Investment & Securities in Korea and is driving our global performance forward.



The New York subsidiary operates Global Securities Trading Solutions (GSTS), our platform for trading foreign shares, while providing global equity solutions optimized for customers at home and abroad. It has seen its overseas stock brokerage volume grow at an average annual rate of 36% during the past three years and plays a vital role in outbound operations. We are also expanding our presence to new markets in Southeast Asia based on our experience leading the domestic securities market. The Indonesian subsidiary has successfully settled into the local brokerage market and is posting greatly improved results. It will expand its scope to bond brokerage and IB so it can grow into a comprehensive securities firm. NH Absolute Return Partners, our hedge fund operator in Singapore, draws on its vast experience to provide domestic and foreign investors with the most favorable wealth management products and acts as an outpost for product sourcing in Southeast Asia.

At the end of 2017, we acquired a major stake in the Vietnamese joint venture to gain managerial control. The subsidiary will focus on investment and brokerage once it has established a local business infrastructure. Our plan is to nurture the subsidiary into a financial company that will lead the Vietnamese capital market. We will continue expanding our global network, sharpen capabilities for sourcing products and providing financial solutions, and strive to make our global business platform the first choice of customers.

Case Study: Launch of NH Securities Vietnam (NHSV)

We first stepped into the Vietnamese market by acquiring a 49% stake in CBV Securities, a local securities firm. This was operated as a joint venture with a local partner until we acquired the remaining 51% stake and carried out a rights offering in early 2018. In February 2018, NH Securities Vietnam was launched as a wholly owned subsidiary of NH Investment & Securities.



In the beginning, NHSV leaned on brokerage for business stability but has now expanded to corporate finance and principal investment with plans for investment banking for privatization IPOs and Korean companies in Vietnam. It also built an online sales platform in response to domestic demand for investment in Vietnamese securities, and provides real estate, social overhead capital (SOC), and other alternative investment products.

In addition to increasing research into the local market to stimulate outbound brokerage, we hope to create synergy in corporate finance by connecting NHSV with the IB unit in Korea. To coincide with the launch of NHSV, we discussed joint research on fintech technologies with the State Securities Commission of Vietnam that would contribute to the progress of fintech in Vietnam. By using NHSV as an opportunity to gain local investment experience and promoting NHSV as a Vietnamese investment platform for domestic customers, we will redouble our efforts to become Vietnam's leading comprehensive securities firm.

New Growth Businesses

We established a strategy based on analysis of our competencies in different business areas and market outlook to respond to the rapidly changing external environment. We continue to enter new areas so we can discover new profit sources that follow market changes and sharpen our competitive edge.

In 2016, we used our trading knowhow to become the first in the industry to enter the hedge fund business. We are seeing excellent results, including 2017 rate of returns that ranked among the top among large hedge funds. We also entered the recently licensed new technology financing* business in search of new profit sources to tap into the explosive growth potential of SMEs and venture companies before they go public. As a result, we are able to offer customers more diverse investment opportunities through new venture investment portfolios and more faithfully live up to our role as a securities firm by supplying venture capital to SMEs and venture companies.

As the population continues to age and financial assets grow, financial companies and customers are developing long-term relationships. In response to the growing importance of the pension business, we are concentrating our sales capacity on pension products to secure a long-term customer base and improve the competitiveness of our products.

Our performance in each business sector can be viewed in real-time through the business management system. The system is also used to continually monitor productivity (profitability), sales results, risk factors, etc.

* New technology financing: Providing investments/loans and management/technology guidance to new technology businesses (SMEs, venture companies); establishing and managing capital for New Technology Business Investment Association

Case Study: Mega Financial Center

In January 2017, we opened the Samseong-dong NH Finance PLUS Finance Center. It is the third NH Finance Plus Center, following the Finance Center in Gwanghwamun and the Sales Finance Center in Yeouido. The Samseong-dong branch offers one-stop comprehensive wealth management and consulting services, with some 60 professionals offering financial solutions in all areas, including private banking, tax, real estate, and legal counsel. The mega centers allow us to use our unique knowhow and professional competencies to maximize customer satisfaction. We are also increasing our bank-securities branch-in-branches (BIB), and plan to expand our network into key regional locations.



Digital Innovation

Digital Transformation

Digital Transformation Strategy

Innovation in digital technology, notably in mobile, cloud, IoT, AI and robot technologies, has accelerated advances in automatic and intelligent systems. This, in turn, is demanding new approaches and endeavors to corporate management, customer management, business models and operational processes. Digital transformation is permeating the entire financial industry, and in order to respond to the digitalization of finance, a company must be ready for complete change accompanied by innovation in everything from the organization to the system configurations. Consequently, we established a digital strategy and created a unit dedicated to helping us navigate the new market environment in a proactive and preemptive manner to achieve sustainable growth. Additionally, to secure processing capabilities linked to big data, which forms the basis of the digital paradigm shift, we are pursuing innovations in customer platforms and internal operating infrastructure.

Strengthening Digital Capabilities

<div></div> <div>Expansion of IT Infrastructure</div> <div><p>We are developing an all-purpose platform that incorporates everything from data collection to visualization as well as expanding a big data infrastructure capable of processing specialized data. We will move our big data project forward in stages to optimize it for business use so working-level employees can easily manage data.</p></div>	<div></div> <div>Process Upgrade</div> <div><p>We support data-based decision-making with efficient data processing and continue to make business improvements through AI applications. We are upgrading our data management system by building an infrastructure that makes data collection, analysis, and application easier. This will allow us to use data in a timely manner, and consolidate the variety of data created within and outside the company to develop composite data applications. We will periodically inspect the current data-based business model and redesign products, services and business models in response to the changing digital environment as part of our effort to provide differentiated value.</p></div>	<div></div> <div>Expand Big Data Application</div> <div><p>Using big data, we operate a service system that analyzes data concerning customer behavior, use of products/services, etc. and responds to customer needs in real time. The system is available on- and offline. Our goal is to closely track what kind of experience customers want from varied point of contact channels and to provide services from the customers' perspective.</p><p>We signed an MOU with Microsoft Korea, Thomson Reuters Korea and AgileSoDA to develop a market prediction model based on machine learning*. This agreement has made it possible to directly apply technological innovation like AI, big data, and machine learning to financial investment, based on which we plan to expand into services that provide customers with improved satisfaction and value.</p><p>* Machine learning is a technology that makes predictions by identifying specific patterns based on expansive data analysis.</p></div>
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Digital Finance Products and Services

NH Investment & Securities is going beyond leadership in financial investment to become a major player in financial digital innovation. Based on detailed big data analysis, we strive to ramp up our competitiveness in products and services, and realize our principle of providing financial solutions that offer real value to our customers.

We partnered with a fintech company to create Robo Advisor through PoC*. A product that uses big data to provide personally customized investment information, Robo Advisor** is exclusive to NH Investment & Securities and has been approved by the Financial Services Commission. We will make further developments to provide customers with a wider variety of products.

We are also making a steady and persistent effort to strengthen online services. It is our belief that 'by challenging preconceived ideas about investment and striving toward a new kind of finance, we can enable everyone to lead a simple and convenient financial life.' We provide quick and easy services customers can access any time or place, with an emphasis on non-face-to-face channels like NAMUH, our mobile wealth management platform. The number of consumers used to a mobile environment is increasing, making mobile channels and platforms more important. To respond to these changes and reflect our differentiated strategy, we launched a new investment and banking service called 'NAMUH C', geared toward the 'mass and young' generation in their twenties and thirties. NAMUH C promotes healthy financial habits through features that help users cut down on daily expenditures or put away money like a mobile piggy bank. It also provides a convenient environment for anyone to start making investments. NAMUH C was awarded the UX/UI*** Innovation Award at the Smart App Awards 2017 organized by the Korea Internet Professional Association.

We offer 'Portfolio Market,' an online wealth management platform that connects customers with independent financial advisors. Even with small sums, users can sign up for discretionary or advisory services while we expand our base for online wealth management. Moreover, we implemented a 'no commission fee' policy so customers can increase their assets through securities transactions at no extra cost and carried out an UX/UI overhaul of mobile channels to enhance user convenience.

* Proof of Concept (PoC): Process of demonstrating that a product, technology, information system, etc. can carry out the assigned task. It is used in preliminary verification of new products.

** Robo-advisor: Compound of 'robot' and 'advisor,' referring to independent financial advisors. Name of service that uses AI software algorithm to manage assets entrusted by investors or to provide them with asset management advice.

*** User eXperience (UX) / User Interface (UI): UX refers to the overall experience of IT service users, including their feelings, attitudes, and behavior. UI refers to the screen design and layout of IT services like mobile apps, HTS, and websites.



Case Study: NAMUH

We endeavor to keep in step with the fourth industrial revolution as represented by technological advancements like big data and AI by pursuing fast innovation, and release services geared toward the emergence of new markets and financial consumers.

NAMUH is the industry's first mobile wealth management platform. NAMUH is the Korean word for tree and evokes an image of trees that grow to create a flourishing forest. Likewise, our NAMUH platform is designed to bring us closer to our customers, mainly our target customer base of the 'mass and young' generation in their twenties and thirties. The multifaceted platform gives users a simple way to incorporate finance into daily life by helping them manage investments and spending to increase their wealth.

NAMUH features PIN numbers, mobile OTP, fingerprint certification, and a variety of other services for enhanced user convenience. The simpler certification in particular is attracting young customers.

The H in NAMUH stands for 'human,' and it represents our aim to humanize digital services. With that in mind, NAMUH is establishing itself as the mobile platform that contributes to customers' financial lives and happiness.



Case Study: Crowdfunding

To help outstanding farms and agricultural processing companies secure sales channels and increase their income, we provide a crowdfunding service for farmers who have been recommended by NH Creative Agriculture Support Center and the NH Future Agriculture Support Center. As of the end of 2017, KRW 73.28 million has been invested through reward-based crowdfunding. We will continue to expand our crowdfunding service for farmers as a member of the NH Financial Group based on our belief in the Nonghyup philosophy of supporting Korea's agricultural progress and enhanced quality of life for farmers.



Case Study: Portfolio Market

Portfolio Market provides users with algorithm-based portfolios according to investment targets and methods. It offers customized investment strategies based on an individual's investment preferences. The entire investment process, from analysis to trading, can be carried out online (MTS and website).

Along with Portfolio Market, we developed the 'QV Global Robo Advisory Account' that is based on global ETF asset allocation algorithms. Robo-advisors help users who want to directly invest in overseas markets but encounter difficulties in choosing investment targets.

With the launch of the advisory product and Portfolio Market, NH Investment & Securities is solidifying its position as a leader in digital wealth management.



Case Study: Bio (Palm Vein) Certification Service

Customers usually have to carry ID and take multiple steps to prove their identity before accessing financial services. To eliminate such inconveniences and streamline the process, we introduced the industry's first bio-certification system at branches nationwide using only palm veins in January 2017.

The service enables customers to simply place their palms on a special vein reader at the counter to make money withdrawals and deposits, along with stock and financial product transactions, all without a physical ID card. The storage and management of palm vein data is shared with the Korea Financial Telecommunications & Clearings Institute to safeguard against the exposure and loss of personal data. Approximately 47% of customers with accounts use the bio-certification service. We plan to expand the service to eventually cover all operations at branch offices.



Service Leadership

2017 KEY PERFORMANCE

- First in the securities industry to obtain Customer-Centered Management (CCM) certification
- No. 1 securities firm as chosen by consumers (Korea Finance Consumer Federation)
- Best fund distributor two years running (Korea Financial Investors Protection Foundation)
- Established securities linked service with NH Bank's All One Bank
- Adopted mobile OTP
- Zero cases of personal data leaks or electronic financial fraud



1 Why is it Important?

Due to changes in the financial market environment, financial products are becoming increasingly complex and varied, making it difficult for consumers to understand the inherent risks and profit structure. What is more, information acquisition is harder for individual consumers than for institutions. This has resulted in increased customer dissatisfaction and damages, as well as unnecessary social costs. As the financial industry cannot create value without customer satisfaction, differentiated capabilities and customer-focused management activities are essential. There is growing demand for stronger customer rights, development of environmentally/socially conscious financial products, and stronger protection of customer assets and information. Also, the reduction of branches and the expansion of non-face-to-face channels have raised customer expectations for customized services unrestricted by time or place. To meet the demands of the changing times, it is necessary to advance into new markets and provide services that deliver on convenience and customer satisfaction.

2 What is our Approach?

At NH Investment & Securities, we seek to establish trust with customers, practice consumer-centered management with services that provides value and happiness, and prepare for the advent of a responsible digital finance era. We have established strategies and plans to that end, which are being pursued by the Financial Consumer Protection Division and the relevant department within the Digital Business Division. We focus on strengthening competencies through employee training based on the principle of responsible investing, increasing customer participation, conducting customer satisfaction surveys, and providing customer satisfaction products and services through VOC operations. We continue to improve the process for opening non-face-to-face accounts, web trading, QV/ NAMUH MTS, etc. with consideration for user convenience. We also operate a quick accident response system as well as an effective control system to protect personal data.

3 Material Issues in 2017

- Diversifying customer demand
- Development of products and services that reflect market changes
- Improving access to financial services
- Stronger product and service responsibility
- Protection of customers' personal information
- Tighter IT security, growing demand for prevention of financial accidents/crimes

4 Our Next steps

- Establish process for fully informed sales of financial products
- Strengthen activities for civil complaints prevention
- Reinforce training for propagation/classification/strengthening of CS standards
- Develop and expand socially/environmentally conscious products
- Enhance preliminary inspection process and inspection categories for new products
- Reorganize response manual for accidents related to data protection
- Make preparations/inspections for information security management system (ISMS) certification renewal review

Client Centricity

Consumer-Centered Management

Consumer-Centered Management Framework

Our goal is to maximize customer satisfaction and provide the highest value through products and services that reflect the diverse demands of customers and is founded on customer participation. We established a vision and strategy for consumer-centered management (CCM) based on an analysis of the management environment and diagnosis of the current conditions. We follow a management by objectives (MBO) process to carry out the related strategy. We are also working to increase understanding and appreciation for CCM within the company as well as propagating and sharing CCM externally through a variety of communication channels including media, official SNS accounts, company newsletter, slogan context, company broadcast, etc. We will maintain open communications with customers and gain their trust through industry leading products and services while simultaneously pursuing CCM for win-win growth so that we can relieve customers of even the smallest inconvenience.

Consumer-centered management vision	Leading financial investment company that stands by the customer			
Consumer-centered management strategy	Create companywide CCM culture <ul style="list-style-type: none">- Slogan contest, company newsletter postings- Training for all employees- CCM proclamation ceremony	Build consumer communication system <ul style="list-style-type: none">- Formation of customer participation system- Vitalize online system for open suggestions- Change CS paradigm and strengthen training	Improve civil complaints and VOC <ul style="list-style-type: none">- Improve civil complaints/VOC system- Encourage suggestions and system improvements- Improve customer accessibility	Prevent mis-selling <ul style="list-style-type: none">- Strengthen mystery shopping- Strengthen informed sales process training- Strengthen onsite training through financial consumer leaders

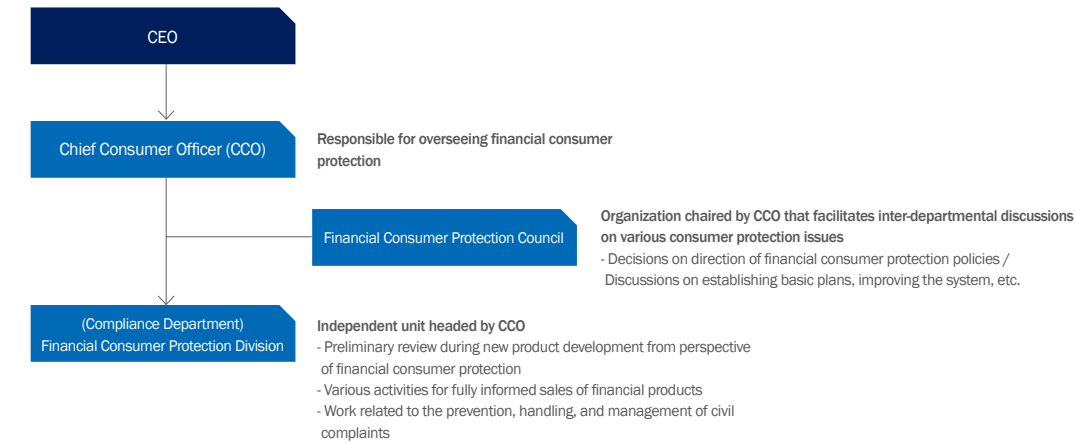
Consumer-Centered Management Organization

We operate a unit within our organization dedicated to the systematic promotion of customer-centered management. The Financial Consumer Protection Division assists the CEO and CCO (Chief Consumer Officer) by acting as the control tower in consumer-centered management. Its duties include operation/management of the VOC (Voice of Customers) system, informed sales and CS training, and the development/operation of a financial consumer protection system. In addition to releasing a 'Financial Consumer Protection Charter' for the protection of consumers' rights, the division established a CCM Task Force Team comprising the Financial Consumer Protection Council, the head of the Financial Consumer Protection Division, and working level employees from relevant departments to discuss important pending issues related to CCM. Through such efforts, we are creating a corporate culture that can raise employee value alongside customer and company value.



CCM TFT

Consumer-Centered Management Organization



Strengthening Consumer-Centered Competencies

We provide a wide variety of customer satisfaction (CS) training programs designed for employees, departments and branches. Our goal is to strengthen our CS competitiveness with regular training programs optimized for different locations, situations, and characteristics. We have improved our program by expanding its content to build professional expertise in consumer related areas and by implementing mandatory for-credit courses. With employees who recognize the importance of CS and the customer’s point of view, we will continue to upgrade the quality of our services for better customer experience and benefits.

CS Competency Strengthening Programs

	Program	Participants	Main Content
Onsite Training	Visiting CS consultation	Lowest ranked branches	CS monitoring and consulting with onsite visits to relevant branch / drawing out solutions for improvement, CS lecture from professional speakers
	Customized CS training	Branches that received VOC complaints or requested training	Customized training based on request from branch
	In-house CS broadcast	All departments and sales branches	CS White Paper - case studies of good customer responses / in-house broadcast production
Classroom Training	Team leader training	Team leaders	CS mindset, skills for responding to customer complaints, etc.
	Employee training	Team members	New employees, employees changing positions, etc. / CS training to improve customer response skills
Propagation	BSM training	Business Support Division BSM	CS training at regular BSM meetings and onsite opinion gathering Providing CS training materials on visits to BSM branches
	CS Day	All employees	Sharing lesson plans for case studies of model CS PLUS+ customer responses / Use of branch’s own CS training materials
	Consumer protection monthly report	All employees	Sharing exemplary VOC cases and complaints, examples of civil complaints and disputes

Preemptive Customer Response System

We collect customer feedback through various on/offline channels and operate a Voice of Customer (VOC) system to quickly process the feedback. The VOC system receives requests for improvements to online channels, businesses/systems, products, branches, or customer support center services. The customer suggestions are used to improve operations in all areas, from automatic transfers to other banks to photographing IDs when opening non-face-to-face accounts. On December 2017, we opened a new VOC system that uses big data. The new system categorized VOC into three stages depending on the nature and importance of the case, and reorganized the categorization of businesses used to identify the frequently occurring VOC on a monthly/weekly basis. These improvements gave us a VOC early warning system, which in turn allowed us to establish a VOC database and analytic system for preventing or preemptively responding to customer complaints.

Expanded Customer Participation

We utilize surveys, civil complaints, VOC, and more to reflect consumer opinions when planning/developing financial products and services. In 2017, we initiated an on/offline customer panel system meant to expand customer participation and allow market changes and customer demands to be reflected during the product development stage. In September, we released a ‘gains transfer securities trust’ product based on a survey about inheritance/gifts-related trust products. We also promoted our bio-certification service based on an assessment of customers’ awareness. For new products and services, we conduct surveys about three months after their release to determine how the customers are responding. We also collect the opinions of sales employees who are active at the point of contact with customers. Their feedback opens our eyes to fresh new ideas and needs that come from onsite experience, which we reflect in developing unique financial products.

Customer Panel System Operations in 2017

	Content	No. of Times Conducted
Online Panel	Survey, including comparative analysis with competitors’ products/services	8
Offline Panel	Survey about inheritance/gifts-related trust products	2

Responses to Consumer Opinions

		Consumer Opinion	Product/Service Development and Improvement
2015	Civil Complaints	Reflect financial consumers’ opinions regarding ELS knock-in	Released New Heart ELS product
	VOC	Request for online printout of financial income statement	Provided online printout function for financial income statement
		Request for en bloc purchases of NH Portfolio	Provided en bloc purchasing function after portfolio planning
2016	Civil Complaints	Increasing need for ELS with greater stability Request for addition of principal payment condition	Released Safety Belt Rescue ELS
	VOC	Request for HTS improvements	Improved HTS design, chart, and search function
2017	Civil Complaints	Request for longer cancellation period during public subscriptions	Allowed ‘next-day cancellation’ throughout public subscription period
	VOC	Request for fix to fault in OTP Hybrid NAMUH check card	Completed improvements by switching manufacturers
		Request for lower fees for personal IRP	Lowered fees after coming to agreement with relevant department

Customer Satisfaction Survey

We conducted the 2016 Customer Satisfaction Survey so that we could better reflect customer opinions and boost our competitiveness by improving employees’ customer-focused mindset. The survey measured customer satisfaction levels in different areas as well as changes in customer needs based on 1:1 telephone interviews with customers of KRW 10-plus million services in some 90 branches. We will increase customer satisfaction by steadily resolving the problems revealed by the survey. In the future, we will also revise the survey channels and methods to obtain more accurate results as the prevalence of non-face-to-face channels undermines surveys that only address customers who visit branches.

Customer Satisfaction Survey Categories and Results

	Survey Items	Score (Points)
Business Service (3)	Friendly response, promptness/accuracy, enthusiasm of response	94.25
Sales Service (5)	Friendly response, enthusiasm, professionalism, explanatory ability, customer relations	92.96
Loyalty (2)	Overall satisfaction, likelihood of recommending to another	91.74
Customer Feedback	Customer opinions regarding unsatisfactory aspects or areas needing improvement	87.72
Total		93.36

※ This customer satisfaction survey was conducted in 2016. No survey was conducted in 2017.

Strengthening
of Financial
Access

Improvements to Non-face-to-face Channels

We operate a variety of systems and channels that we established to make it simpler and more convenient for customers and stakeholders to receive accurate information not only about our company but also our financial products and services. We further enhanced customer convenience by expanding and augmenting non-face-to-face channels on the website, HTS, smart phone, tablet, and call center so that customers can conduct business without having to visit a branch.

It is now possible to open non-face-to-face comprehensive trading accounts used not only for trading stocks but a variety of products. We also expanded the range of products available online and simplified the application process to save customers time and expenses. Our home trading system (HTS) offers open API* and customized services to suit individual needs through a professional trading channel as well as real-time automatic trading according to the conditions set by the investor using system trading. The mobile channel has upgraded trading, investment information, and other services, and we adopted simplified and fingerprint certification methods for safe and easy mobile transactions. Our call center adopted mobile remote support and visible ARS functions to minimize the difficulties disabled, elderly, or otherwise disadvantaged customers experience in using non-face-to-face channels.

We also introduced securities-related service to NH Bank's All One Bank, allowing customers to open non-face-to-face accounts or check their balances, as a way of increasing the effect of financial synergy within Nonghyup.

* Application Programming Interface (API): Language or message used to communicate between operating system and application program.

Case Study: Website Accessibility for Disabled Customers

In accordance with the Anti-Discrimination Against and Remedies for Persons with Disabilities Act, we are working to improve the accessibility of our website for users with visual, auditory, or physical impairments that make it difficult for them to use input devices. By extension, we hope to increase overall accessibility of the website for a wider audience. In 2014, the NAMUH website was revised for improved accessibility and obtained the Korea Institute of Web Accessibility Certification and Value's Web Accessibility mark. In 2015, we employed responsive web design* to make it easier for users to enjoy the same services regardless of the size of the device, from tablets to desktop computers. For our efforts, we received the award for Best Mobile Marketing in the financial sector at the 2015 Web Award Korea. The NH Investment & Securities website was revised in 2016 for improved trading service accessibility and in 2017 for improvements to all services, as the result of which it received the Web Accessibility mark in February 2018. Since then, we are carefully managing the contents to ensure we do not violate the certification standards, and we continue to raise customer satisfaction with our online services.

* Responsive web design: Approach to web design that automatically changes the display based on the type of the device or screen size on desktop computers, smart phones, tablets, etc.



Financial
Consumer
Protection

Information Security Management System

We understand that protecting personal data and preventing data leaks are central to our management activities, and strive to protect customers' financial transactions and information assets. To that end, we acquired the Korean Information Security Management System (ISMS) Certification in 2015 and operate an information protection system with recognized stability and reliability. We also operate a customer information detection & leak prevention system, network access control system, document security, distributed denial of service (DDos) defense system, and intrusion detection system as part of our extensive set-up for the advance detection of and response to internal/external security risks.

Information Security Department

In order to protect our customers' information and assets more securely, we established a new department devoted to protecting customer information operating directly under the CEO's purview. The head of the Information Security Department also serves as the chief privacy officer (CPO), credit information administrator and protector (CIAP), and chief information security officer. This system makes it possible for us to respond quickly in the event of personal data leaks or information protection accidents, and to carry out effective internal control.

Information Protection Activities

The CPO convenes a monthly Personal Credit Information Council so that we can protect customer information and create a safe environment for electronic transactions. The Council reports on and discusses the results of monitoring for misuse of personal data, rundown of personal data protection inspections/projects, and more. We have also designated the second Friday of every month as 'Information Protection Day' to raise awareness among employees, and voluntarily carry out inspections related to personal data and information protection on that day. Every year, employees participate in the online information protection training provided by the Financial Security Institute. In addition, we issue a quarterly newsletter on the topic and have a campaign to improve awareness in order to help the company internalize a culture of information protection.

Electronic Financial Fraud Prevention

We operate a fraud detection system (FDS) based on big data to prevent damages caused by telecommunications-based financial fraud. FDS is used to detect irregularities and preemptively block customers' accounts from being used in fraudulent cases or customer information from being hacked and misused. FDS is fully focused on ensuring the safety of customers' electronic transactions. We also strengthened the security verification process which now includes a designated device service that assigns a specific device for financial transactions as well as a SNS withdrawal security notification service so that customers can make transfers through non-designated devices without additional certification and receive notifications on SNS. Thanks to such efforts, we did not have a single case of customer information protection breach, hacking, or electronic financial fraud in 2017.

Responsible Financing

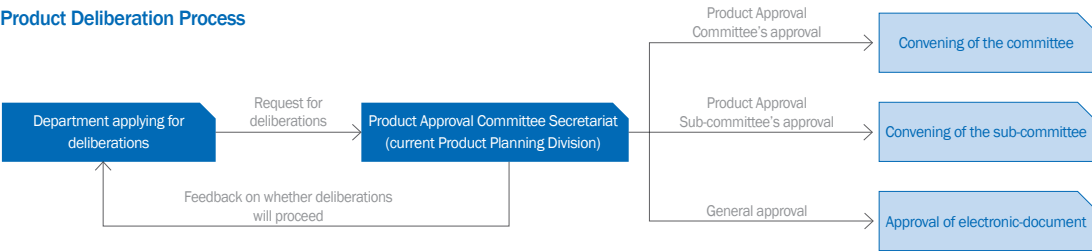
Responsible
Investing

Principles of Responsible Investment

We strive to provide financial solutions that enrich our customers' lives while taking into consideration their effect on society and the environment. In order to fulfill our responsibilities to employees, customers, shareholders, environment, and all of society as a financial investment company, we consider the economic, social, and environmental impact of our activities, from product development to sales to postliminary management. We adhere to the principles of responsible investing so that we can offer products and solutions that minimize financial and non-financial risks while reflecting customer needs. These principles also help us achieve stable earnings while taking social and environmental effects into account. By doing so, we will increase the company's value in the long-term and grow as a company sincerely trusted by all stakeholders.

We have a strict process for minimizing the risks that can occur when planning a financial product, being evaluated for approval, promoting the product to customers, or at any other stage. We thoroughly analyze the purpose of managing the funds, nature of the funding, investment period, and other relevant factors; listen to the opinions of research centers and global investment banks; and consider the regional and market conditions from multiple angles. Only then do we classify and manage our products based on risk and return. For products that we structure and those we source externally, we share details on the adequacy, marketability and risks of the product's development and sales. If the product development or sales efficacy needs improvement, we put the product through the Product Approval Committee's deliberation process. NH Investment & Securities' financial products and solutions are reviewed/evaluated not only for trends and profitability but also timeliness, stability, and soundness. Objective and proactive follow-up measures further increase a product's profitability and reliability.

Product Deliberation Process



Sustainable
Financial
Products and
Services

Socially Responsible Investment Funds

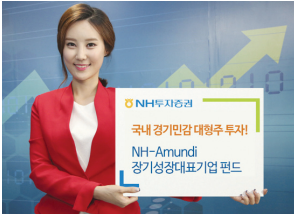
As stakeholders become more aware of corporate social and environmental responsibilities, there is correspondingly growing demand for socially/environmentally conscious financial products and services. We recognize such concerns, and as a financial investment company, we try to contribute to solving social/environmental problems through finance through socially responsible investment (SRI) funds. SRI funds invest in companies with long-term sustainability as measured by environmental, social, and governance (ESG) factors.

We offer the NH-Amundi Long-term Growth Representative Company Equity C2 Fund, which concentrates investments on key domestic companies with potential for mid- to long-term growth. We will continue to develop and operate socially/environmentally-friendly financial products and services, and also gradually expand our investment in technology to counteract climate change and other environmental issues.

SRI Investment Fund Sales

(Unit: KRW 100 million)

Product Name	Balance
SHBNPP Tops Beautiful SRI Security Feeder No. 1 (Equity)	0.21
HI SRI Securities Investment Trust	0.05
MIDAS Responsible Investing Securities Investment Trust	22
NH-Amundi Long-term Growth Representative Company Equity C2 Fund	62.3
Samsung Global Clean Energy 1 (Equity-fund of funds)	1.5



Products Designed to Support Farmers

In 2017, we released specialized products designed to raise funds in support of farmers as a way of expanding our role in supporting agriculture and rural communities and sharing the differentiated value we pursue as a socially responsible corporation. Based on the sales amount of products like (CMA) MMW, (ISA) DLB, and (Agricultural and Livestock Cooperatives' Savings) MMT, we will set aside funds every year to be given to public interest groups that assist farming communities, such as the National Agricultural Cooperative Federation's 'I Farm Love.' As of February 2018, we have sold KRW 419.9 billion worth of MMW, KRW 6,891.0 billion of MMT, and KRW 20.3 billion of ISA.

Product Development and Services for the 100-Year Life Generation

With the aging population in Korea, over 50% of the population is expected to be 65+ years old by 2050. A superaged society looking at an average life expectancy of 100 years will mean many changes to issues of health, children's education, retirement, real estate, and financial investment. Yet many customers have difficulty in responding systematically to the changes. In particular, the baby boomer generation began entering retirement recently, calling attention to the importance of post-retirement wealth management.

NH Investment & Securities operates the Longevity Research Institute to study the changing society and needs of the times to help customers enjoy a prosperous old age. The institute focuses on various areas of life such as health, leisure, and other topics related to retirement that are used to develop financial investment products for an aging society and financial services for retirees. To help customers secure funds for old age, we released various products that pay monthly, counteract low interest rates, and more that offer customers a wide array of choices and satisfaction through optimal financial solutions. We also offer education and consulting to customers facing retirement in our capacity as a socially responsible company.



Fund in support of farmers

MMW
KRW 419.9 billion

MMT
KRW 6,891.0 billion

ISA DLB
KRW 20.3 billion

Workforce
and Talent

2017
KEY PERFORMANCE

- 172 new employees
- Training hours per employee: 111 (male) / 117 (female)
- NH Leader's Wednesday Lecture: 10 sessions, some 2000 attendees
- 35 corporate culture campaign activities



1
Why is it
Important?

As the financial environment in Korea changes rapidly and competition becomes more intense, hiring/retaining a capable and creative workforce is emerging as an important factor in a company's sustainable growth. To create long-term value and increase satisfaction for the company and customers, it is essential to respect employees' individualities and diversity, and strengthen their professional competencies. Doing so will produce employees who can lead the future by responding to the speed of change and shifting environment. Providing a workplace that makes work-life balance possible, supporting childbirth and childrearing, and creating quality jobs are also ways a company contributes to society.

2
What is our
Approach?

At NH Investment & Securities, we practice open recruitment because we believe in giving a wide variety of people the chance to exercise their abilities. We have a transparent and fair performance evaluation and compensation plan to encourage employees to do their best and be proactive about self-development. We offer various training programs so employees can improve job skills and pursue personal development. Employees are also given opportunities to try different jobs according to their preference and abilities. We are reinforcing the welfare and benefits system as well so employees can find health, happiness, and a work-life balance.

3
Material
Issues
in 2017

- Securing talent and strengthening competencies
- Respect for employee diversity and equal opportunity
- Growing demand for employee welfare/rights (work-life balance)

4
Our Next
steps

- Discover talent with global knowledge and IT capabilities
- Host NH Leader's Wednesday Lecture series featuring experts from diverse fields
- Nurture global asset allocation experts and operate training course to prepare for digitalization of finance
- Expand leadership training at multiple levels for better communications
- Adopt 52-hour workweeks and flexible working hours, and expand Family Day

Talent Management

Hiring/ Retaining Talent

Ideal Employee

The ideal NH Investment & Securities employee must clearly understand and carry out six core values based on faith in one's own infinite potential. In doing so, the ideal employee contributes to the company's vision: "We are aiming for beyond No. 1 and creating new history in the capital market as Korea's representative financial investment company."

NH Investment & Securities' Ideal Employee			
Creativity	Professionalism	Commitment to the Fundamentals	Teamwork
A person who seeks challenges and creates new things through creativity and critical appraisal of existing framework and practices	A person who does the best they can by cultivating professional competencies in their field and fulfilling their responsibilities	A person who is respectful and considerate of others, and who makes promises to customers their top priority	A person who cooperates with colleagues and contributes to the progress of the company and society

Open Recruitment

We strive continually to secure and nurture talented employees and diversify our workforce based on NH Financial Group's HR policy of 'equal opportunity hiring and respect for employee rights.' We practice open recruitment where we focus on real workplace competencies, and do not discriminate on the basis of region, education, age, or gender. We are working toward gender equality by increasing the ratio of female employees and managers in stages. We also strive for social balance in our recruitment practices so we can reflect diverse values and give consideration to disabled persons, veterans, graduates of regional schools, and underprivileged individuals. When hiring for regional positions, we recruit from vocational school graduates to expand employment opportunities to high-school graduates. We also help women reenter the workforce by offering reemployment opportunities to women with discontinued careers.

Job Security and Efforts to Attract Talent

We aim to provide job security and prevent talent drain because we believe people are the source of a company's competitiveness and the foundation of sustainable growth. We offer contract employees the chance to transition to an open-ended contract after they have worked for us for over a year. This allows our employees to continually and independently exercise their abilities in a stable work environment. We are also making an effort to improve labor conditions so contract employees can receive the same welfare and benefits as full-time employees.

In our efforts to secure talent with global knowledge, we hold an annual job fair for overseas MBA graduates. We participate actively in financial industry job fairs hosted by related organizations and are ready to hire talented people who have work experience in a variety of fields. Due to voluntary resignations during the normalization of the workforce following the 2014 merger, the retiree ratio rose slightly YoY from 11.3% in 2015 to 11.6% in 2016. However, the ratio of employees leaving the company fell significantly to 6.0% in 2017 thanks to the promise of job security and efforts to secure talented employees.

Fair Performance Evaluation and HR System

We provide all employees with fair opportunities according to their abilities and talents based on our performance-focused culture. Actual results are judged objectively and compensation is based on the level of the individual or group's contribution. To improve the timeliness of the evaluation and compensation, we regularly carry out personnel evaluation twice a year. Our multifaceted evaluations link personal performance to the group's performance, and incorporate peer reviews to help us aspire to an individualistic culture while producing results based on teamwork. Related to the evaluation results, we operate a feedback system and appeal system to protect employee rights from unfair evaluations. Moreover, the Talent Development Committee, which is overseen by the CEO and meets regularly to select/nurture talented employees, further motivates employees to take the initiative in self-development.

Talent Development and Strengthening Competencies

Talent Development and Promotion System

We lead innovation and create opportunities from a global perspective based on a strong customer-centric sense of responsibility and creative thinking. Our core belief is in pioneering the market paradigm and creating new financial value through unmatched professionalism and optimal financial solutions, and this allows us to grow as the industry's finest financial solution provider. To achieve this, we develop and support a variety of training courses so all our business units are equipped with the highest level of competencies.

Training System

Professional Academy		Leadership Academy		
WM	Head Office	Class	Leadership	Values/Vision
Common (Self-development)				
Innovation (Operation of innovative organization/system)				

Employee Competency Strengthening Programs



Strengthening WM Competencies

We operate a systematic educational course designed to enhance WM advisors' comprehensive wealth management competencies. The course is structured around 8 learning tracks* based on the four fundamental competencies of wealth management, product knowledge, customer management, and market understanding. The learning tracks cover a wide range of topics, including life cycle financial planning, taxes and real estate, product trends, understanding of private equity and structured products, analysis of economy and economic indices, etc. and enhance professional expertise in wealth management through a process that combines theory and practical applications. With the growing prominence of asset allocation in the global market, there is a need to focus on cultivating the ability to diversify investment not only in the domestic market but also different regions and assets. Starting in 2018, we will operate a differentiated professional course for global asset allocation, which will evolve into field-centered training to cover diverse contents and impart working-level knowledge.

* 8 Learning tracks: Financial planning, advisory, commodity (theory), commodity (practical), sales skills, communication skills, market/corporate, stocks/futures/options



Self-directed Learning Culture through Diverse Channels

We are establishing a voluntary, self-directed learning culture through various channels with the goal of fostering experts who can adjust to the rapidly changing financial environment and prepare for the future. All employees can select a program that works for the responsibilities of their own jobs and take an online course. In addition to professional training, these courses include humanities/general education subjects so that employees can build knowledge about the economy, society, and culture outside of work. The NH Leader's special lecture series is held once a month, offering insight into recent social and economic issues. In 2017, there were ten lectures attended by some 2,000 employees. We also encourage employees to expand their knowledge through SERI CEO's book learning courses and operate a WM training course to guide employees who have moved from support to sales functions adjust to the transition.



Leadership

Leadership for effective communications is crucial for a group to sustain growth and establish a principled corporate culture. We offer a leadership course and trend training on the kind of horizontal leadership that leads to voluntary participation from employees. We have courses for executives and division/center directors that focus on realizing a leadership of communications and harmony as well as leadership training for all levels, from first-time employees and interns to newly promoted employees, newly hired experienced employees, team leaders and more. We also have a 'youth board of directors' system to generate fresh, innovative ideas in management. In 2017, we operated a CEO course, MBA course, and a leadership course for division/center directors and team leaders which attracted 270 enrollees.



Strengthening Head Office Competencies

Each business unit identifies its required competencies and carries out training to strengthen their ability in those areas. We are nurturing talented employees who can provide expert solutions by supporting internal and external training courses to suit the characteristics of each business unit. Some of the main training programs are the IB/Trading Academy, alternative investment expert course, and corporate value evaluation course. In 2017, we had some 170 employees enrolled in external training customized for the head office business units. The fourth industrial revolution has triggered changes in global trends, and in response, we have a training program designed to foster employees with global insights and the ability to analyze future industries.

Workforce Well-Being

Work-Life Balance

Programs for Enhanced Quality of Life

We operate a variety of benefit and welfare systems to cultivate a workplace environment that will raise the quality of life and satisfactions levels of employees by enabling them to achieve work-life balance.



Family Life Support

We provide our employees with various forms of support for childbirth and child-rearing, including paid and unpaid leaves during pregnancy and after birth, the use of a feeding room, and leave of absence for fertility treatments. In February 2017, we opened a workplace childcare center, the first of its kind in the securities industry, to help ease the burden of child-rearing and as part of our corporate social responsibility. Employees with a child aged one to five years old can apply for admission by lottery. By offering an excellent childcare environment with a professional teaching staff, we hope to discourage working moms from discontinuing their careers and help our employees' children grow up safe and healthy.



Sabbatical Year and Vacation

The sabbatical system gives employees extra days off equal to their annual leave as an opportunity for employees to take extended vacations. Long-serving employees qualify for sabbatical every five years, and their name is entered into a list in January each year. In addition to the legally prescribed vacation days, our system allows employees to take half-days and days off for physical fitness, rest and relaxation, or other personal reasons.



Severance Pay and Pension Plan

Our severance pay and pension plan seeks to strengthen severance pay rights and guarantees the funds for a stable life in old age. Employees can choose between defined benefit (DB) and defined contribution (DC) pension plans and apply to either one. They also have one opportunity of changing to a DC plan during their term of employment.

Miscellaneous Employee Benefits

Program	Details
Housing Support	- Housing finance loans to help employees who do not own a home achieve residential stability - Boarding allowance for employees appointed to a regional office (not in employee's hometown)
Child Education Support	- Admissions fee and tuition support for employees' children currently enrolled in middle and high school and college - Educational expenses support for children below school age; applies to 3 years immediately preceding enrollment in elementary school
Support for IG Activities	- Operational expenses support for intra-company informal groups (IG); available to 21 IGs in 4 areas: hobbies & interests, health & fitness, regional mountaineering, and volunteer work
Family Day	- Establish family-friendly culture with twice monthly practice of leaving work at 5pm (every 2nd, 4th Friday)

Health Support

We help employees immerse themselves in work through physical and mental health programs. We support medical expenses and sick leave for various illnesses, and checkups to employees and their families. Through our group accident insurance system, we make the insurance payment in the event of death or diagnosis with one of the three major diseases (cancer, stroke, ischemic heart disease). We also support health management plans and efforts to provide health-related information in order to improve our employees' health.

Employee Assistance Program (EAP)

Due to the nature of the financial industry, employees suffer from significant mental stress. Mental stress has a negative effect not only on job efficiency, but also on efforts to create a happy workplace. We provide professional counseling services to help employees find solutions to problems that occur in the course of carrying out their duties or in daily life. The system enables us to resolve employees' work-life imbalance, raise employee satisfaction, and increase efficiency at work. Employees and their family (spouse and children) are allowed up to 8 counseling sessions per person at the company's expense. Personal records and the session contents are strictly private and confidential.

EAP Consultation Areas

Category	Consultation Topics
Work-related Psychological/Emotional (Mental wellness)	Conflict in the workplace, career development, time management, motivation, etc. Personal relationships (communication), mental health (depression, anxiety, rage), stress management, etc.
Family and children Miscellaneous	Spousal/relationship/marital issues, other family-related issues, child-rearing, etc. Financial management, legal advice, health

Labor-Management Balance

We guarantee our employees the three basic labor rights as stipulated in Article 33 of the Constitution. The labor union was first established in 1981, and as of end of December 2017, we have 2,050 employees (71.6%) eligible to join. Of these, 2,049 (99.9%) are members of the union. Every year, we sign a collective wage agreement through the union with terms that apply to all employees. The labor-management council meets on a quarterly basis to discuss management issues related to the company and employees. Besides the council, we have secured a variety of official/unofficial communication channels that facilitate smooth communications between labor and management to help us maintain a cooperative relationship.



Signing ceremony with union

Community Investment

2017 KEY PERFORMANCE

- 39 company volunteer groups
- 6,481 Nanoom Management participants
- 33,015 hours of participation in Nanoom Management
- 2017 Sponsors Night, Yeongdeungpo-gu Council Chairperson Award
- 2017 KEF/AKJ Sustainability Management Awards, Minister of Health and Welfare Award in the social contribution category



- 1

Why is it Important?
- 2

What is our Approach?
- 3

Material Issues in 2017
- 4

Our Next steps

In a time of worldwide economic weakness, widening wealth gap, and growing urban-rural disparity in income and progress, the social impact of corporations is expanding. With interest and demand for corporate social responsibility likewise growing among stakeholders, the company's role is to build a shared society by understanding/managing its impact on society and actively participating in local community issues.

We conduct business in many regions in Korea and abroad, and we are aware of the effect we may have on the local community and the lives of residents. We have chosen to focus on three key areas, and mainly through the company's volunteer groups, we are systematically pursuing social contribution activities that utilize the nature and professional expertise of our business. We also collect feedback from internal and external stakeholders of Nanoom Management to measure the satisfaction and discover areas of improvement, based on which we carry out Nanoom Management that reflects the needs of the local community. We will continue implementing activities with sincerity, persistence, and consistency to build a better, warmer world.

- Participation in and contribution to local communities

- Pursue social contribution activities that utilize nature of the securities industry
- Expand activities through voluntary participation from employees
- Improve effect of activities through selection and concentration
- Pursue global social contribution activities

Corporate citizenship

Nanoom Management System

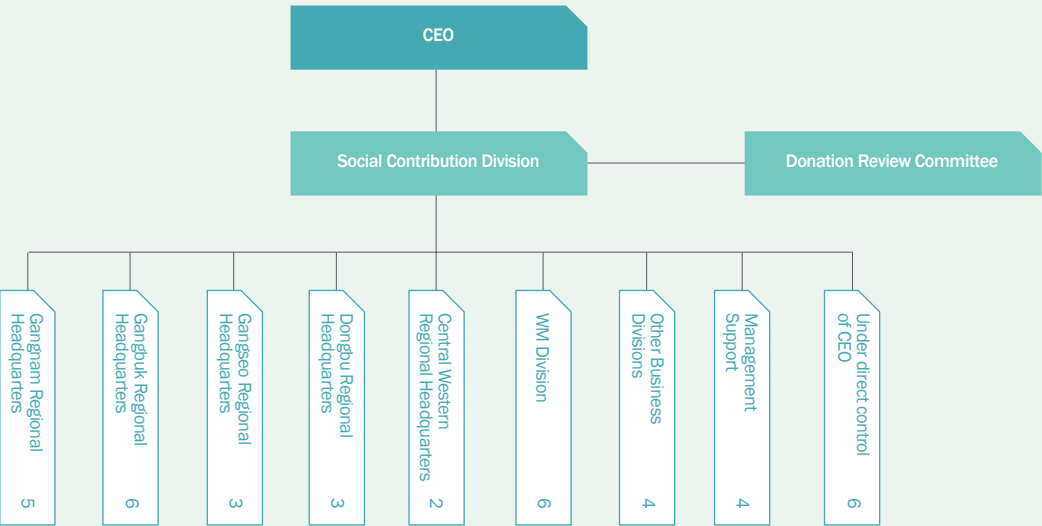
Nanoom Management Philosophy

In line with Nonghyup's Nanoom Management that aims to promote the welfare of farmers and development of local communities, NH Investment & Securities is operating a differentiated and systematic companywide CSR initiative. Guided by the slogan 'Bright World, Together with Us,' we are pursuing employee-led programs under three core themes of dream, hope and future. Going forward, we plan to expand our role and scope of corporate social responsibility with projects that reflect our business characteristics.

Nanoom Management Organization

In order to implement industry-leading corporate philanthropy and offer organized and systematic programs, we set up the Social Contribution Division, directly under the CEO in 2010. We are spreading the culture of giving and sharing value through the employee volunteer corps. Operated through employee donations and corporate CSR fund, the volunteer corps, which is divided into 39 groups according to business divisions, is making a difference in our communities through a wide range of activities.

Nanoom Management Organization



NH Investment & Securities launched the CSR website to boost employee engagement and spread the culture of giving. The website's intuitive and simple layout makes it easier for employees to connect and communicate with each other and gives them an opportunity to share their stories of helping others.

<http://1004.nhwm.com> or NHHow → Life → CSR

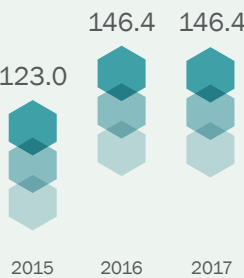
Nanoom
Management
Activities

Angel Fund

NH Investment & Securities has been operating Angel Fund to help our underprivileged neighbors and children since 2005 in conjunction with NGOs. Angel Fund gathers donations from employees' monthly wages. Employees can designate the amount they want to give and programs they want to support through the intranet. The company also makes a contribution to the fund. Working closely with NGOs such as the Community Chest of Korea, Miral Welfare Foundation and Children's Cancer Foundation, Angel Fund is committed to improving the lives of children and our neighbors in need. Its work involves improving the nutrition of children of 25 low-income families so they can reach their full potential, providing financial assistance to children with cancer so they can get early treatment, and offering health service to residents of rural farming areas that lack healthcare access.

Angel Fund

(Unit: KRW 10 million)



Grants & Scholarships

Every year, we select 40 high-performing high school students from low-income families and offer them grants for tuitions and school-related expenses. In addition, we give KRW 1 million in rewards when they enter college. As of 2017, 487 students benefited from our scholarships. Moreover, we have in place a mentoring program in which our employees work with scholarship students to offer them advice on school life and future careers. The scheme is aimed at providing real support so the mentees can develop into future talent. Since 2017, we focused on giving priority to high-achieving students from low income families in the farming regions so they can be nurtured into community leaders.



Another Town

Another Town, which started in 2016, is an innovative model of cooperation designed to promote close ties and exchanges between the company and farming communities. The CEO and senior executives take part as 'honorary town representatives' and all other employees as 'honorary residents.' As of 2017, we have set up 29 such towns. Rather than one-off activities, we provide ongoing support through long-term endeavors such as markets where farmers can directly sell their produce. Our urban-rural initiative also promotes information and cultural sharing, which is helping to create a positive image of the agricultural sector. Going forward, we will add more Another Towns to help breathe life into local communities. We plan to increase the number of the towns to 30 in 2018.

Another Town

	2016	2017
No. of towns	5	29
No. of town visits	6	51
No. of participants	418	1,571
Participation rate (%)	14	59





NH INVESTMENT & SECURITIES IS
PURSUING DIVERSE STRATEGIC
ACTIVITIES TO MAKE A FOOTHOLD
FOR SUSTAINABLE GROWTH.
BY BOOSTING PROFITABILITY WITH
BETTER OPERATIONAL
EFFICIENCIES OF EXISTING
BUSINESSES AND CUSTOMER-
FRIENDLY FINANCIAL SERVICES, WE
ARE COMMITTED TO
IMPLEMENTING AN ADVANCED
FINANCIAL SYSTEM.
WE ARE ALSO ENCOURAGING
CUSTOMER INVOLVEMENT IN
GREEN ACTIVITIES BY DEVELOPING
AND SELLING PRODUCTS THAT
CREATE ENVIRONMENTAL VALUE.



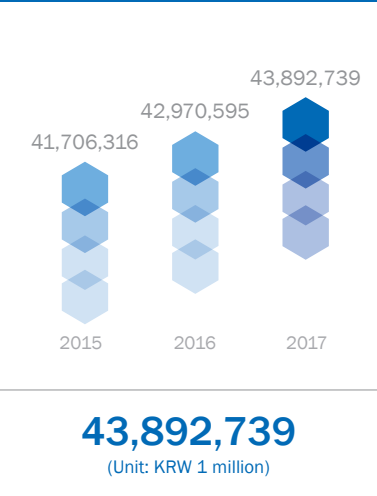
Sustainability Performance

Economic Performance /
Social Performance /
Environmental Performance

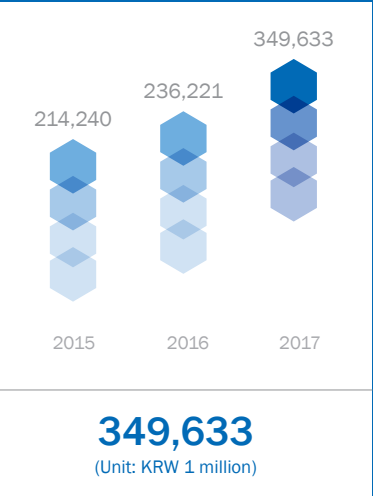
Economic Performance



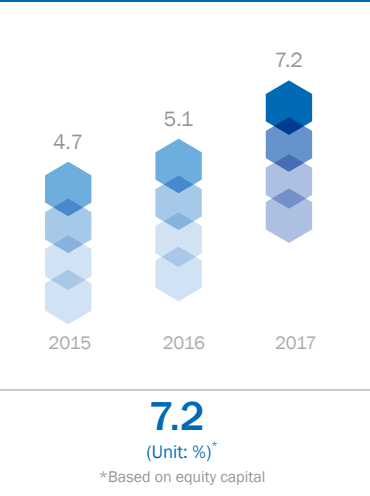
Assets



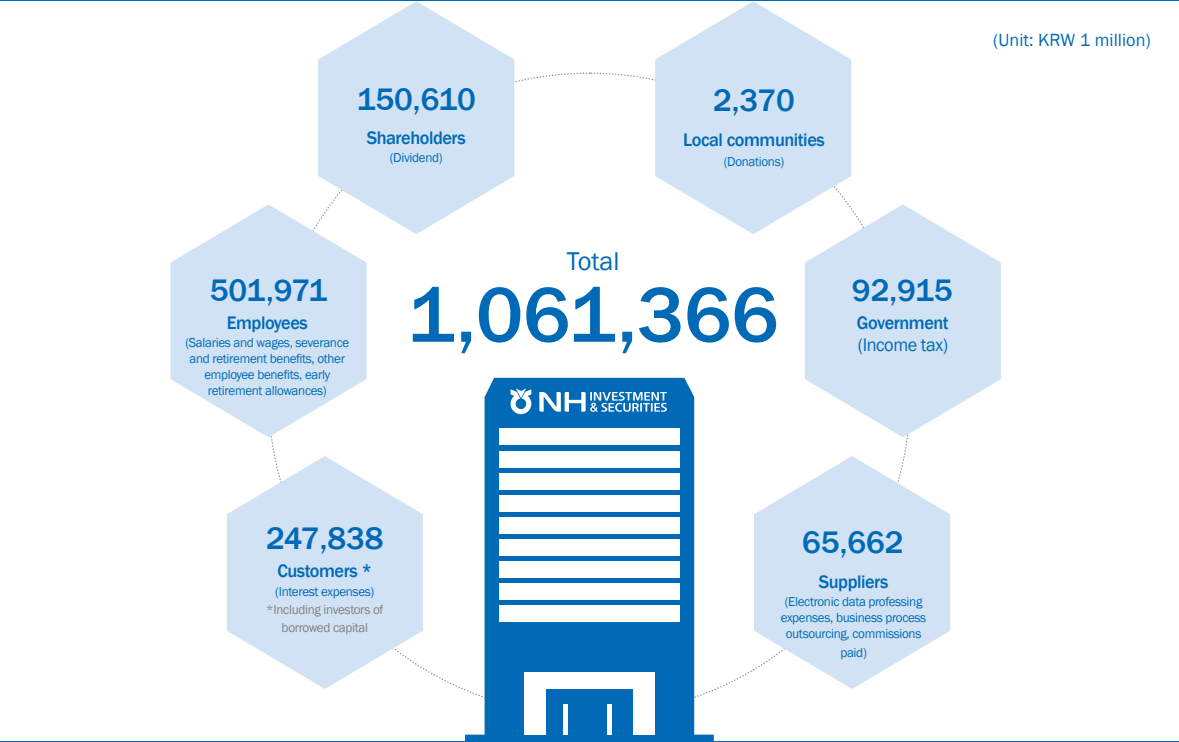
Net income



ROE



2017 Economic Value Creation and Distribution



Summary Consolidated Statement of Financial Position

(Unit: KRW 1 million)

	2015	2016	2017
Cash and cash equivalents	1,284,399	724,626	597,111
Financial assets at fair value through profit or loss	28,816,805	27,879,611	25,239,638
Derivative assets for hedging purposes	309	1,662	5,899
Available-for-sale financial assets	1,910,894	4,221,533	6,311,849
Held-to-maturity financial assets	20,020	-	-
Loans and receivables	9,100,901	9,541,903	11,107,593
Investments in associates	64,614	57,240	66,287
Fixed assets	293,811	307,505	300,349
Investment properties	72,069	52,373	53,401
Intangible assets	27,166	25,769	20,500
Current tax assets	33,316	3,752	3,783
Deferred tax assets	1,607	75,295	91,482
Other assets	80,405	79,326	94,847
Total assets	41,706,316	42,970,595	43,892,739
Deposits due to customers	1,978,468	2,372,114	3,080,583
Financial liabilities at fair value through profit or loss	16,201,905	17,448,043	14,926,262
Derivative liabilities for hedging purposes	38,130	29,327	7,881
Borrowings	16,268,019	15,274,807	14,993,801
Debentures	1,298,485	1,897,608	3,499,901
Other liabilities	1,266,354	1,165,936	2,443,852
Provisions	5,561	6,383	4,584
Current tax liabilities	43	58,850	6,684
Deferred tax liabilities	40,602	-	811
Other liabilities	58,205	68,749	92,173
Total liabilities	37,155,772	38,321,817	39,056,532
Controlling interest	4,542,296	4,638,816	4,830,600
Capital stock	1,531,275	1,531,275	1,531,275
Other paid-in capital	1,518,286	1,518,286	1,518,635
Other capital components	223,572	204,697	167,129
Retained earnings	1,269,163	1,384,558	1,613,561
Non-controlling interest	8,248	9,962	5,607
Total equity	4,550,544	4,648,778	4,836,207

Summary Consolidated Statement of Comprehensive Income

	2015	2016	2017
Operating revenues	7,003,662	8,841,546	9,545,474
Operating expenses	6,689,531	8,539,599	9,086,270
Operating income	314,131	301,947	459,204
Net income before income tax expense	282,192	301,971	442,548
Income tax expense	67,952	65,750	92,915
Net income	214,240	236,221	349,633
Other comprehensive income	883	-19,752	-37,637
Total comprehensive income (loss)	215,123	216,469	311,996

Stability

	2015	2016	2017
Current ratio (3-month accumulated)	182.90	167.80	123.90
Debt-to-equity ratio	126.80	106.10	84.90
Net capital ratio	771.00	1342	1811

* Based on closing balance of equity

Profitability

	2015	2016	2017
Operating margin	4.5	3.4	4.8
Gross margin	3.1	2.7	3.7
Return on assets	0.5	0.5	0.8
Return on equity	4.7	5.1	7.2

Growth

	2015	2016	2017
Revenue growth	45.1	26.2	8.0
Fixed asset growth	2.3	4.7	(2.3)
Net income growth	163.6	10.3	48.0
Total asset growth	1.6	3.0	2.1
Operating income growth	150.4	(3.9)	52.1

Economic Value Creation and Distribution

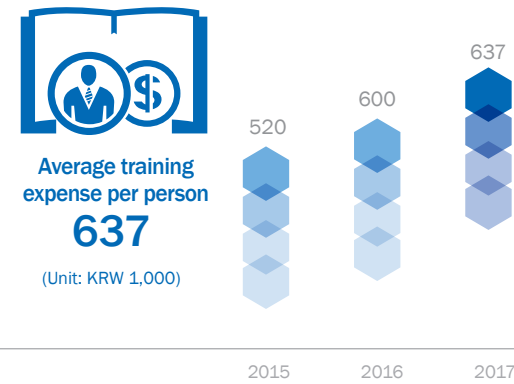
Stakeholders	Items	2015	2016	2017
Shareholders	Dividend	120,677	120,677	150,610
Employees	Salaries and wages, severance and retirement benefits, other employee benefits, early retirement allowances	527,310	418,655	501,971
Customers *	Interest expenses	326,230	285,593	247,838
Local communities	Donations	623	2,783	2,370
Government	Income tax	67,952	65,750	92,915
Suppliers	Electronic data professing expenses, business process outsourcing, commissions paid	74,618	68,360	65,662
Total		1,117,410	961,818	1,061,366

* Including investors of borrowed capital

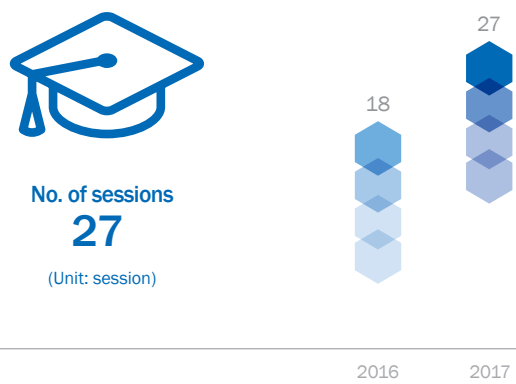
Social Performance



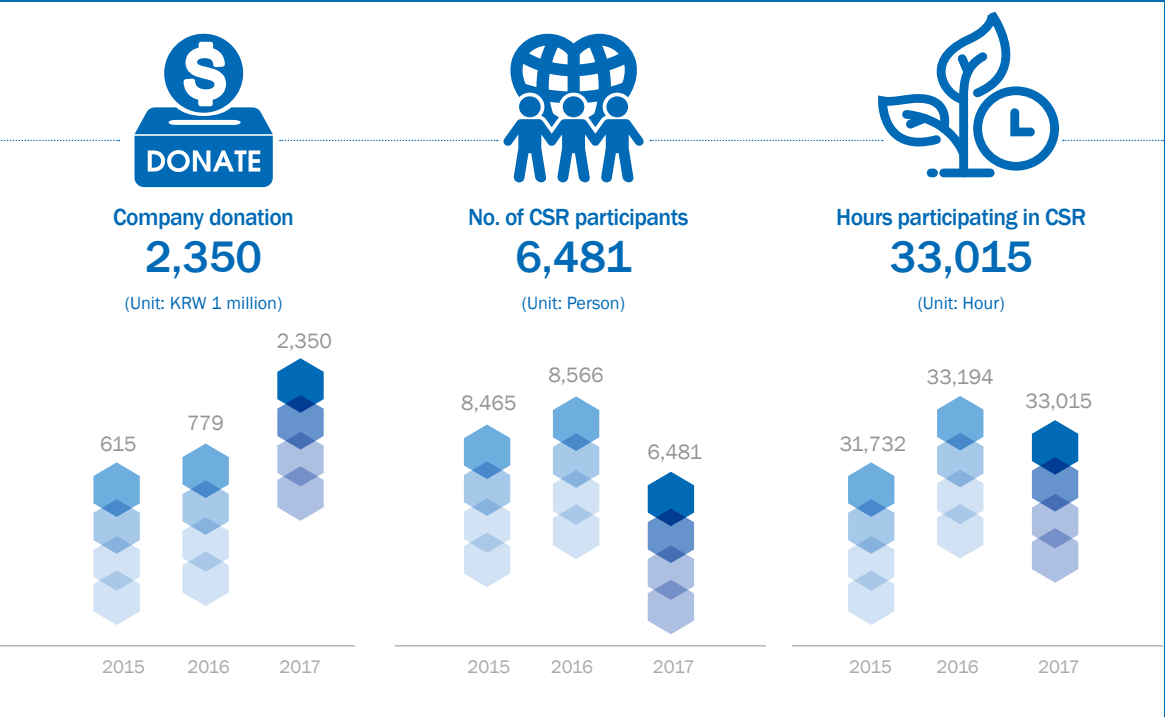
Average training expense per person



100-Year Life Academy



CSR



Gift Return Center Operation

(Unit: case)

	2015	2016	2017
No. of returns	5	1	2
No. of donations	5	1	0

Ethics/ Compliance-related Training

(Unit: person)

		No. of participants		
Participants		2015	2016	2017
Regular ethics compliance training	All department CMOs & team chiefs	648	537	524
Outside lecturer training	Related department employees	700	425	750
On-demand training	New employees, upon department request	72	205	302
Total		1,420	1,157	1,576

※ Above figures include group training only and exclude video ethics training for all employees (40 times per year), money laundering prevention training (once per year) and fair trade prevention training (once per year).

Regulation Violations in 2017

Violations	No. of cases
Related to program trading	3
Related to conflicts of interest	5
Related to order record maintenance	9
Related to unfair trade practices	5
Violation of money transaction between employees	11

※ Above cases are items detailed in "Compliance office notice" issued upon minor breach of company regulations.

Law Violations in 2017

Agency	Date	Details	Reason
Financial Supervisory Service	May 18, 2017	Institutional caution, fine of KRW 77.5 million	Violation of ban on receiving unjust gains Violation of ban on using insider
Financial Supervisory Service	Sep. 1, 2017	Institutional caution	information

※ Above are sanctions imposed on the company and employees (director, auditor, person instructing task execution, executive and important employees carrying out the task) from external inspection.

Whistleblowing Channel

	2015	2016	2017
No. of reports	2	-	-
No. of remedies/replies	2	-	-
Reply rate (%)	100	-	-

Outsider Reporting Channel

	2015	2016	2017
No. of reports	1	1	2
No. of remedies/replies	1	1	2
Reply rate (%)	100	100	100

VOC Operation

(Unit: case, %)

	2015	2016	2017
No. of reports	850	574	692
No. of cases handled	850	574	692
Handling rate (%)	100	100	100

Customer Communication Channels

100-Year Life Academy

(Unit: session, person)

	2015	2016	2017
No. of sessions	-	18	27
No. of participants (average)	-	43	41

※ The 100-Year Life Academy was launched in Feb. 2017 and is overseen by the Longevity Research Institute.
The Academy is a lecture series open to the public, providing educational contents that help customers manage their lifetime assets.

100-Year Life College

(Unit: session, person)

	2015	2016	2017
No. of sessions	2	2	2
No. of participants (average)	77	73	70

※ The 100-Year Life College is held twice a year and is overseen by the Longevity Research Institute.
The College is a program designed to prepare for happy and healthy post-retirement life developed jointly by NH Investment & Securities and Seoul National University.

Investment Seminars for Customers (for over 100 People)

(Unit: session, person)

	2015	2016	2017
No. of sessions	-	4	6
No. of participants (average)	-	500	375

※ Maekyung Overseas Investment Forum, overseas bond seminars (Brazil/Russia/Mexico, etc.), derivative linked Securities (ELS/DLS) seminars, NH Research Forum, etc.

Information Protection Training

(Unit: person, hour)			
	2015	2016	2017
No. of participants	2,958	2,793	2,764
Training hours	21,236	15,986	17,097

※ Only includes Financial Security Institute's privacy and information protection online training

Personal Information Leaks

(Unit: case)			
	2015	2016	2017
No. of leaks	0	0	0

Electronic Financial Fraud

(Unit: case)			
	2015	2016	2017
No. of fraud cases	0	0	0

Employee Status

(Unit: person, %)

		2015	2016	2017
Total no. of employees		3,079	2,888	2,863
New hires	Male (%)	80(49.1)	69(50.7)	82(47.7)
	Female (%)	83(50.9)	67(49.3)	90(52.3)
Attrition (resignation/ retirement)	Male (%)	235(7.6)	180(6.2)	112(3.9)
	Female (%)	114(3.7)	155(5.4)	83(2.9)
Employment status	Regular	2,452	2,258	2,252
	Non-regular	627	630	611
Region	Domestic	3,066	2,875	2,853
	Overseas	13	13	10
Position	Executive	43	48	52
	Managerial	1,635	1,595	1,630
	Rank-and-file	1,401	1,245	1,181
Age	20s (%)	205(6.7)	118(4.1)	121(4.2)
	30s (%)	1,303(42.3)	1,253(43.4)	1,209(42.2)
	40s (%)	1,248(40.5)	1,202(41.6)	1,151(40.2)
	Over 50s (%)	323(10.5)	315(10.9)	382(13.3)
Gender	Male (%)	1,894(61.5)	1,777(61.5)	1,748(61.1)
	Female (%)	1,185(38.5)	1,111(38.5)	1,115(38.9)

Employee Diversity

(Unit: %, person)					
		2015	2016	2017	
Female leadership	Position	Percentage of females among total workforce	38.5	38.5	38.9
		Percentage of females among total managerial workforce*	18.3	19.1	19.9
	Employment status	Percentage of females among contract-based workers	26.0	25.6	25.8
Others		Percentage of females among regular workers	42.1	42.6	43.1
		High school graduates (%)	232(7.5%)	206(7.1%)	211(7.4%)
		Veterans (%)	110(3.6%)	100(3.5%)	91(3.2%)
		Disabled (%)	30(1.0%)	32(1.1%)	30(1.0%)

* Above section chief

Training Hour and Expense per Person

		Unit	2015	2016	2017
Average training hour per person	Male	Hour	124	110	111
	Female		134	121	117
Average training expense per person		KRW 1000	520	600	637

Training Hour per Person According to Employee Status

(Unit: hour)				
		2015	2016	2017
Average training hour per person	Branch sales staff	142	115	117
	Branch support staff	138	124	117
	Head office sales staff	108	103	90
	Head office support staff	116	117	108

Maternity Leave

(Unit: person, %)

		2015	2016	2017
No. of leave users	Male	2	1	2
	Female	65	86	69
No. of returnees	Male	2	1	-
	Female	22	66	65
No. of people remaining for 12 months after their return	Male	2	-	-
	Female	20	50	57
Return rate	Male	100.0	50.0	-
	Female	97.2	91.2	85.5
Retention rate	Male	100.0	-	-
	Female	90.9	75.8	87.7

Health Check-up

		Unit	2015	2016	2017
Health check-up		Persons	2,921	2,866	2,697

CSR Support

		Unit	2015	2016	2017
CSR funding	Company donation	KRW 1 million	615	779	2,350
	CSR fund (Employee volunteer corps)	KRW 1 million	70	97	92
No. of CSR participants		Person	8,465	8,566	6,481
Hours participating in CSR		Hour	31,732	33,194	33,015

From bidding to payment, NH Investment & Securities use an electronic procurement system (NICEDocu, www.nicedocu.com) in accordance with outsourcing rules for greater convenience and transparency in transaction with our suppliers. We forbid preferential evaluation that restricts bidding according to the size of registered firms and suppliers and promote transparency by adhering to clear standards. To pursue transparent transactions, we sign an Integrity Agreement with 40 registered firms and 128 suppliers before entering into a contract. After signing a contract, we conduct an ethics awareness survey drawn up by the compliance department to reaffirm laws and procedures with the person in charge. There was no incidence in which a contract was terminated due to corruption or violation of laws connected to suppliers during the reporting period.



NH Investment & Securities' electronic procurement system

Environmental Performance



Largely due to characteristics of the financial service sector, NH Investment & Securities' negative impact on the environment is relatively small compared to other industries. However, as a responsible member of society, we are fully aware of the seriousness of global environmental issues and the need for urgent action to address climate change. Accordingly, we are committed to reducing our environmental footprint through such activities as energy and resource conservation and greenhouse gas and waste reduction. We will continue to make eco-friendly choices to ensure a better tomorrow by focusing on creating an environmentally conscientious workplace, pursuing energy saving activities, and developing green financial products and services.

Energy Use

	Unit	2015	2016	2017
City gas (LNG)	1,000 m3	35.711	37.997	40.043
Diesel oil	kℓ	9	3.6	2.4
Electricity	Kwh	8,807.193	7,060.629	6,530.391

Greenhouse Gas Emission

	Unit	2015	2016	2017
Direct emission (scope I)		393.9	68.3	88.5
Indirect emission (scope II)	tCO2eq	4,106.3	3,284.5	3,046.2
Total		4,512.8	3,046.2	3,147.4

Water & Paper Use

	Unit	2015	2016	2017
Water use		38,197	38,984	38,329
Paper use	Ton	97.5	96.25	100.5

Waste Disposal

	Unit	2015	2016	2017
Industrial waste		300	300	300
Specified waste	Ton	60	60	60
Waste recycled amount		108	120	120

※ The scope of environmental reporting covered only the head office and branches in Korea. Affiliates, subsidiaries, suppliers and overseas branch offices have been excluded.

Appendix

Third Party Assurance
GRI & ISO 26000 Content Index
UN Global Compact
Accolades and Affiliations

Third Party Assurance

To NH Investment & Securities Management and Stakeholders

■ Foreword

NH Investment & Securities commissioned the Korean Standards Association (hereinafter referred to as “the auditor”), to undertake independent assurance of the NH Investment & Securities’ Sustainability Report 2018 (the “Report”). KSA reviewed feasibility of data included in the report prepared by NH Investment & Securities and presented our independent assurance. The sole responsibility for claims and performances included in the Report lies with NH Investment & Securities.

■ Independence

The auditor is an independent assurance agency that has no stake in NH Investment & Securities’ business activities other than providing third party assurance, nor has any relationship that may damage its independence or that is for the purpose of profit-making.

■ Standards and Level of Assurance

The Assurance Engagement was carried out at a medium level of assurance using AA1000AS (2008) of AccountAbility as an assurance standard based on the adherence to Principles of Inclusivity, Materiality and Responsiveness, and the reliability of data included in the report as well as in accordance with the principles for defining report quality set forth in GRI Standard.

■ Type and Scope of Assurance

The auditor performed a Type 2, moderate level of assurance using AA1000AS (2008) of AccountAbility as an assurance standard. This means that the accuracy of NH Investment & Securities’ claims and performance data presented in the report has been verified. The scope of the assurance engagement was for the reporting period of January 1, 2017 to December 31, 2017 with the focus on NH Investment & Securities’ sustainable management system and activities including its goals, policies, performances, projects and standards. Meanwhile, environmental and social data as well as financial data for the broad sense of economic performance were verified. Verification regarding stakeholder engagement was limited to the review of the materiality assessment process.

■ Verification Method

The auditor used the following methods to collect information, data and evidence related to the scope of assurance.

- Examined and analyzed media reports on NH Investment & Securities’ sustainability initiative
- Examined the company’s reporting issues selected in consultation with NH Investment & Securities
- Visited NH Investment & Securities headquarters and interviewed persons in charge of sustainability and specific issues
- Reviewed management system and process used in improving sustainability performance and preparing the report
- Reviewed whether the audit report on financial data and consolidated financial statements aligned with disclosure information
- Followed up on and examined internal documents and basic data

Third Party Assurance

■ Verification Results and Opinion (Verification Principle/Process)

The auditor reviewed the draft of the report and provided feedback which led to its revision. In addition, we did not find any significant errors or inappropriate depictions in the report. The auditor's opinion on the NH Investment & Securities' Sustainability Report 2018 is as follows.

▷ Inclusivity

- Did NH Investment & Securities include stakeholders in coming up with sustainability strategy?

It has been confirmed that NH Investment & Securities, in pursuing sustainable management, recognizes the importance of engaging core stakeholders and is working to implement the engagement process. NH Investment & Securities' core stakeholder groups consist of customers, shareholders, investors, employees, government agencies and local communities. The auditor verified that the company operates communication channels for each stakeholder group and collects diverse opinions through these channels.

▷ Materiality

- Did the report contain important information to facilitate stakeholders' informed decision-making?

We believe NH Investment & Securities did not omit or exclude any material information that may influence the decision-making process of stakeholders. Moreover, we conclude that NH Investment & Securities conducted materiality assessment on major issues generated from internal and external environment analysis and reported according to the assessment results.

▷ Responsiveness

- Did NH Investment & Securities take appropriate action towards stakeholder concerns and demands?

We confirmed that NH Investment & Securities made an effort to respond to stakeholder demands and concerns by including collected stakeholder opinions in the report. Moreover, we did not find any evidence that NH Investment & Securities' actions on major stakeholder issues were reported inappropriately.

■ GRI Standards Application Level Review

The auditor verified that the report was prepared in accordance with GRI Standards' Core Option. Moreover, we confirmed that reporting on the following Universal Standards and Topic-specific Standards indicators were accurate based on data prepared and presented by NH Investment & Securities.

▷ Universal Standards

The auditor confirmed that the report complies with requirements in the Core Option's universal standards and verified the following disclosure items.

102-1 to 102-13 (Organization profile), 102-14 (Strategy), 102-16 (Ethics and Integrity), 102-18 (Governance structure), 102-40 to 102-44 (Stakeholder engagement), 102-45 to 102-56 (Reporting practice), 103 (Management Approach)

▷ Topic-specific Standards

The auditor confirmed detailed disclosure items for the material topics generated through the reporting item decision process and verified the following disclosure items.

- Economic topics: 201-1, 205-3
- Social topics: 401-3, 404-1, 405-1, 413-1, 418-1

■ Recommendation for Improvement (Implementation Results/Issues)

To implement a companywide sustainability strategy and take appropriate actions in sustainability issues, the auditor recommended NH Investment & Securities to review the following.

- We confirmed that NH Investment & Securities is committed to various actions related to risk control, ethical management, consumer-centered management, development of sustainable financial products and services, and social contributions as it aims to effectively cope with the rapidly changing paradigm of the financial market and reinforce sustainability.
- Socially and environmentally responsible investment has been designated by many global financial firms as a material sustainable issue as they race to deal with the matter proactively. We recommend that NH Investment & Securities improve its awareness on the issue and implement policies on responsible investing as well as strengthen environmental performance management and reporting.
- Going forward, we ask that NH Investment & Securities reinforce performance management and impact measurement for strategies and action plans of each stakeholder group to build a highly-advanced framework for sustainability. Moreover, we hope the company will continue to share its sustainability goals and results with stakeholders through publication of the Sustainability Report.

April 2018

Lee Sang-jin

KSA Chairman & CEO



이 상진

The Korean Standards Association is a special corporation founded in 1962 in line with the Industrial Standardization Act. It is a knowledge service provider that distributes and educates Korean companies on industrial standards, quality management, sustainable management and KS/ISO certification. In particular, it has contributed to sustainable development of the Korean society as the domestic administrator of ISO 26000, GRI designated education institute, AA1000 verification agency, KSI operator, UN CDM operating body, and GHG reduction registry office.

GRI & ISO 26000 Content Index

Universal Standards				
GRI 102: General Disclosures				
Disclosures		ISO 26000	Page	External assurance
Organizational profile				
102-1	Name of the organization	6.3.10 / 6.4.1-6.4.2 / 6.4.3 / 6.4.4 / 6.4.5 / 6.8.5 / 7.8	8	●
102-2	Activities, brands, products, and services		15~19	●
102-3	Location of headquarters		8	●
102-4	Location of operations		8~9	●
102-5	Ownership and legal form		8~9	●
102-6	Markets served		8~9	●
102-7	Scale of the organization		8~9, 65~66	●
102-8	Information on employees and other workers		8~9, 70~71	●
102-9	Supply chain		72	●
102-10	Significant changes to the organization and its supply chain		No significant changes	●
102-11	Precautionary principle or approach		31~33	●
102-12	External initiatives		13, 79	●
102-13	Membership of associations		80	●
Strategy				
102-14	Statement from senior decision-maker	4.7 / 6.2 / 7.4.2	4~5	●
102-15	Key impacts, risks, and opportunities		33, 38~39	X
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	4.4 / 6.6.3	34, Homepage	●
102-17	Mechanisms for advice and concerns about ethics		34~36	X
Governance				
102-18	Governance structure	6.2 / 7.4.3 / 7.7.5	20~21	●
Stakeholder engagement				
102-40	List of stakeholder groups	5.3	22	●
102-41	Collective bargaining agreements		57	●
102-42	Identifying and selecting stakeholders		22	●
102-43	Approach to stakeholder engagement		23~25	●
102-44	Key topics and concerns raised		23~25	●
Reporting practice				
102-45	Entities included in the consolidated financial statements	7.5.3 / 7.6.2	8~9	●
102-46	Defining report content and topic boundaries		26~27	●
102-47	List of material topics		27	●
102-48	Restatements of information		N/A	●
102-49	Changes in reporting		N/A	●
102-50	Reporting period		About This Report	●
102-51	Date of most recent report		About This Report	●
102-52	Reporting cycle		About This Report	●
102-53	Contact point for questions regarding the report		About This Report	●
102-54	Claims of reporting in accordance with the GRI Standards		About This Report	●
102-55	GRI content index		78~79	●
102-56	External assurance		75~77	●

GRI & ISO 26000 Content Index

Topic-specific Standards					
		Disclosures	ISO 26000	Page	External assurance
GRI 200 Economic topics					
Economic Performance	103	Management Approach		37	●
	201-1	Direct economic value generated and distributed	6.8.1-6.8.2 / 6.8.3 / 6.8.7 / 6.8.9	66	●
Anti-corruption	103	Management Approach		30	●
	205-3	Confirmed incidents of corruption and actions taken	6.6.1-6.6.3	68, 72	●
GRI 400 Social topics					
Employment	103	Management Approach		53	●
	401-1	New employee hires and employee turnover	6.4.3	70-71	X
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.4.4 / 6.8.7	56-57	X
	401-3	Parental leave	6.4.4	71	●
Training and Education	103	Management Approach		53	●
	404-1	Average hours of training per year per employee	6.4.7	71	●
	404-2	Programs for upgrading employee skills	6.4.7 / 6.8.5	54-55	X
Diversity and Equal Opportunity	103	Management Approach		53	●
	405-1	Diversity of governance bodies and employees	6.2.3 / 6.3.7 / 6.3.10 / 6.4.3	20, 54, 70-71	●
Local Communities	103	Management Approach		58	●
	413-1	Operations with local community engagement, impact assessments, and development programs	6.3.9 / 6.5.1-6.5.2 / 6.5.3 /	59-61	●
Customer Privacy	103	Management Approach	6.8	46	●
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	6.7.1-6.7.2 / 6.7.7	51, 70	●

UN Global Compact



Since joining the UN Global Compact in September 2011, NH investment & Securities has been abiding by the UNGC’s ten principles in the four major areas of Human Rights, Labour, Environment and Anti-corruption. The world’s largest corporate sustainability initiative is a call to companies to align their strategies and operations with the ten universal principles and take actions that advance societal goals. As such, NH Investment & Securities has been incorporating the principles to uphold human and labor rights, address the global environmental challenge, and establish a culture of integrity to root out corruption. In addition, we are sharing related activities and performances through our Sustainability Report. Our commitment to enact and comply with the ten UNGC principles will continue into the future.

Area	Principle	Page
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. make sure that they are not complicit in human rights abuses.	34~35, 56~57, 68, 71
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labour; 5. the effective abolition of child labour; and 6. the elimination of discrimination in respect of employment and occupation.	54, 56~57, 71
Environment	7. Businesses should support a precautionary approach to environmental challenges; 8. undertake initiatives to promote greater environmental responsibility; and 9. encourage the development and diffusion of environmentally friendly technologies.	51~52, 73
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	34~36, 68~69

Accolades and Affiliations

Major Awards in 2017

Date	Sponsor	Award category
2017.01.11	Hankyung Business	2016 2H Hankyung Business, Best Research Securities Firm - 2nd Place
2017.01.14	Korea Digital Enterprise Association	2016 &Award, Digital Media/Digital Contents Category – Grand Prix Award
2017.01.24	the bell	2017 thebell League Table Awards - Best Equity House (Best House_ECM)
2017.02.02	The Korea Economic Daily Market Insight	The 8th Korea IB Awards – ECM
2017.02.09	Financial Services Commission	2017 Maekyung Securities Awards – First Prize, Securities Firms
2017.02.22	Korea Employers Federation Association of Korean Journalists	2017 Add Happiness CSR Awards – Health and Welfare Minister Prize in the CSR category
2017.02.23	the bell	2017 Korea Wealth Management Awards - Fund Distributor of the Year
2017.02.28	Korea Financial Investment Association	The 8th Asia Fund Awards – Best Distributor
2017.03.02	Korea Exchange	61st Anniversary of Korean Stock Market Opening – Achievement Award
2017.03.17	Ministry of Strategy and Finance	2016 2H Best Government Bond Dealer Awards – Best Securities Firm
2017.07.17	League of American Communications Professionals (LACP)	2016 VISION AWARDS - Platinum Award
2017.07.18	Hankyung Business	2017 1H Best Securities Firm/Analyst Awards – Top Prize, Best Securities Firm
2017.08.02	Korea Finance Consumer Federation	2017 Best Securities Firm Awards – Overall No. 1
2017.08.18	JoongAng Ilbo	2017 Consumer Brand Awards – First Prize, Mobile Division
2017.09.22	Korea Business News	2017 Global Financial Awards – Korea Financial Investment Association Chairman Award
2017.10.26	the bell	2017 thebell Risk Manager Awards – Grand Prize
2017.10.26	Asia Business Daily	The 7th Asia Mobile Trading System Awards – First Prize, MTS
2017.11.24	Yeongdeungpo-gu Office	2017 Sponsors Night – Yeongdeungpo-gu Council Chairperson Award
2017.12.01	Fair Trade Commission	The 22nd Consumer’s Day Ceremony – KFTC Chairperson Commendation
2017.12.12	Maekyung Media Group	2017 Consumer Star Brand Awards – Wealth Management Services
2017.12.14	Aju Business Daily	2017 Aju Business Daily Financial Securities Awards – Overall First Prize, Securities Firm
2017.12.19	Asia Economic Daily	Asia Capital Investment Awards – Grand Prize, IB
2017.12.20	EToday	The 7th Market Leader of the Year Awards – Top Prize, Wealth Management

Affiliated Associations

Korea Chamber of Commerce and Industry (Seoul Chamber of Commerce and Industry)	PEF Council	Listed Company Audit Association	Seoul FX Market Operation Council	Baby Bond Members Council
Human Development Institute - HDI CEO Study Group	Korea Capital Market Institute	The Federation of Korean Industries	Compliance Council	Securities Friday Group
Securities and Money Market Association	Retirement Pension Development Council	Korea Options, Swaps & Derivatives Association (KOSDA)	The Institute of Internal Auditors	Korea Exchange
Korea Employers Federation	Korea Management Association	Korea Mecenat Association	Korea Listed Companies Association	Korea CEO Forum
Korea Investor Relations Service	Korea M&A Association	FOREX CLUB Member firm	Seoul IB Forum	UN Global Compact