



KSD SUSTAINABILITY REPORT 2019

# WORLD CLASS SECURITIES SERVICE PROVIDER

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## About This Report

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This report is the fourth Sustainability Report of Korea Securities Depository (KSD). The first Sustainability Report was published in 2010. We hope to enhance the drive for sustainability management by disclosing our sustainability management activities and performances in a transparent manner, and reflecting stakeholder opinions in our management activities.

### Reporting Standards

This report complies with the guidelines on disclosure of non-financial information, known as the Global Reporting Initiative (GRI) Standards, and reflects major global corporate social responsibility indices such as the Ten Principles of the UN Global Compact (UNGC) and the UN Sustainable Development Goals (SDGs).

### Reporting Period and Scope

This report covers the period from January to December 2018 and in some cases may include data pertaining to September of 2019. In cases where such data is required for performance trend analysis, information on the company's performance over the past three years has been included. The scope of this report covers KSD's headquarters in Busan, office in Seoul, three regional branches (Daejeon, Gwangju and Daegu), and Ilsan Center.

### Reporting Assurance

This report has been verified by the Korean Foundation for Quality, an independent assurance service provider, to ensure its objectivity and transparency. The assurance results are provided on pages 82-83 of this report.

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# WORLD CLASS SECURITIES SERVICE PROVIDER

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## CEO Message

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As a “world-class securities service provider”,  
Korea Securities Depository (KSD) will contribute to the  
development and growth of the capital market, and  
generate value in sharing and mutual growth.

**Valued stakeholders,  
I would like to take this opportunity to convey  
my deepest gratitude for your unwavering support of KSD.**

KSD is Korea's top comprehensive securities service provider contributing to the national economy and the capital market. Since joining the UN Global Compact in October 2008, we have reflected various social values including human rights, labor, the environment and anti-corruption in our organizational strategies, culture and everyday work, as part of an all-out effort toward achieving balanced performance in the areas of the economy, society and the environment. We have prepared this Sustainability Report to share our efforts and achievements in sustainability management with stakeholders.

**First of all, we are seeking new growth engines and pursuing innovation for the advancement of the capital market.**

We have established the electronic securities system while amending subordinate laws, reforming the fee structure and engaging in national campaigns to promote the new system. Overall, we created a work environment and social climate conducive to electronic securities. As a result, we were able to successfully introduce the electronic securities system in September 2019, contributing to innovation in the capital market. Additionally, we have undertaken various tasks, such as the operation of Special GSM Support Teams and the active promotion of the E-voting system, to ensure that general shareholders' meetings (GSMs) of listed companies are held successfully. Furthermore, we have been playing a central role in the creation of an ecosystem for innovative start-ups by hosting information sessions and IR events nationwide to promote crowdfunding in addition to holding the Crowdfunding Council.

**Second, we are creating mutual growth value for all our stakeholders, from customers to partners.**

In order to ensure respect for human rights among our stakeholders, we have organized the Human Rights Management Committee, established the Human Rights Management Guidelines and conducted human rights impact assessments as part of our human rights management efforts. Moreover, we promote communication and cooperation both internally and with outside parties through an internal channel for all employees and spe-

cialized communication channels for each stakeholder group. In addition, with a view to achieving inclusive capitalism we provide financial education and visiting education programs to the general public in association with the Securities Museum, while undertaking social contribution activities for various stakeholders including rural residents, community groups, students and people with disabilities.

**Third, we are participating in the creation of social value and inclusive finance by creating jobs and engaging in regional social contribution.**

More specifically, we have established a subsidiary named KSDream Co., Ltd., whereby we have endeavored to fulfill our social responsibility as a public institution by transitioning temporary workers into permanent positions. Through our KSD Accelerating Program, which includes the Private-Public Co-Working Space and Start-Up Academy, we have supported the growth of small- and mid-sized start-ups, while creating jobs both indirectly and directly by discovering and expanding new businesses. Furthermore, in our capacity as a corporate citizen, we have actively supported the development of local communities through our involvement in the Busan Joint Support Organization, the opening of the Busan Securities Museum, and stronger support for the local economy in conjunction with the three programs in addition to our Forest Carbon Offset Project that builds meditation forests in schools.

As a "world-class securities service provider", KSD will continue to contribute to the development and growth of the capital market and generate mutual growth value. On this journey, I ask for your continued interest and support.

September 2019

Chairman and CEO of Korea Securities Depository

Lee Byung-rhae



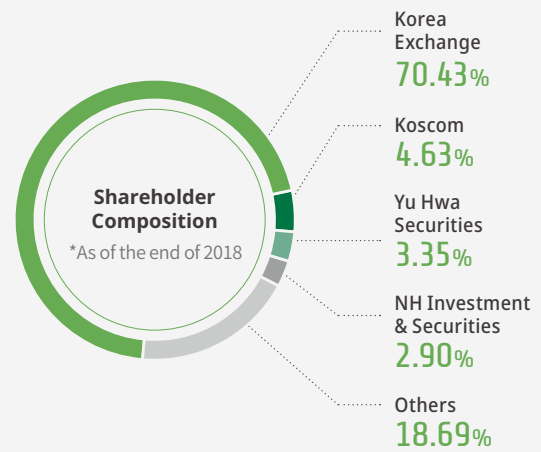
## Company Overview

### About KSD

Korea Securities Depository (KSD) was established to support the development of the capital market by providing a wide range of securities services including the issuance and distribution of securities. Currently, over KRW 4,000 trillion worth of securities are safely deposited with our system while we are effectively handling the settlement of trades and managing the financial assets of individuals. We also provide an effective and stable platform for trading securities, helping us grow into a top-tier global financial service provider as we contribute to the enhancement of investor value and development of the securities market.



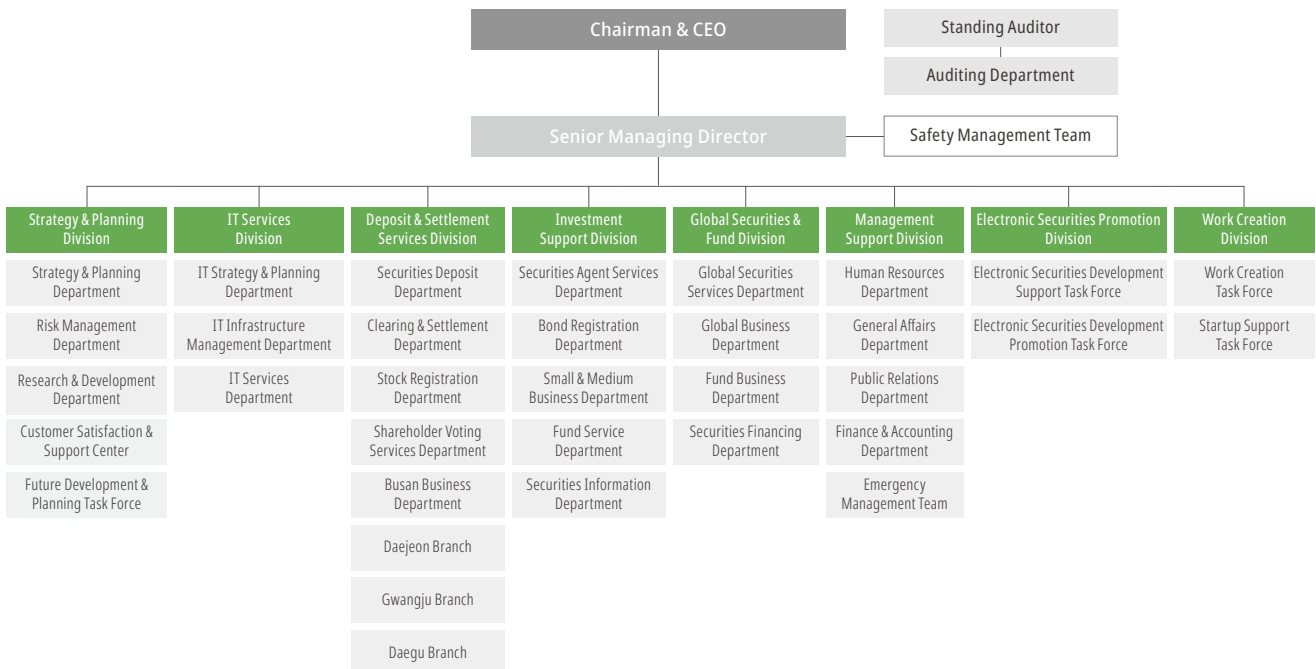
Company Name	Korea Securities Depository
CEO	Lee Byung-rhae
Date of Establishment	December 6, 1974
Total Assets	KRW 3,447,300,680,000
Revenue	KRW 225,802,000,000



### Organization

As of September 2019, KSD consists of 8 divisions, 25 departments and 5 T/Fs with a total of 697 employees.

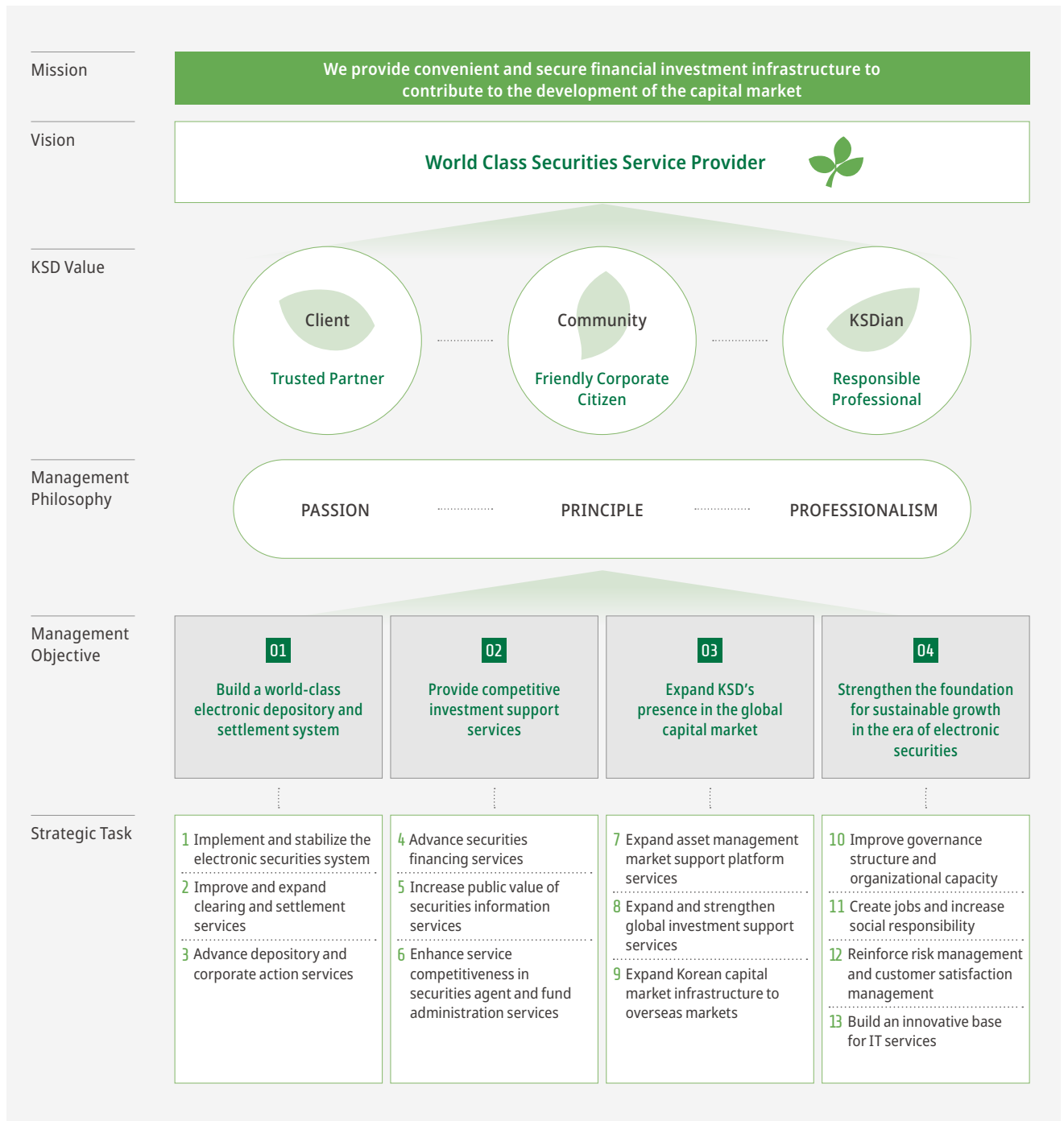
### Organizational Structure



**Strategy**

To reflect changes in the internal and external management environment, KSD has re-established its management vision and core values so that its management goals are well-received and recognized by various stakeholders. Based on four strategic goals and 14 strategic tasks that incorporate our mission and vision, we are working on multiple fronts to achieve the core values of each stakeholder group and contribute to the development of the capital market as a top-tier global securities service provider.

**Mid- to Long-Term Management Goals**

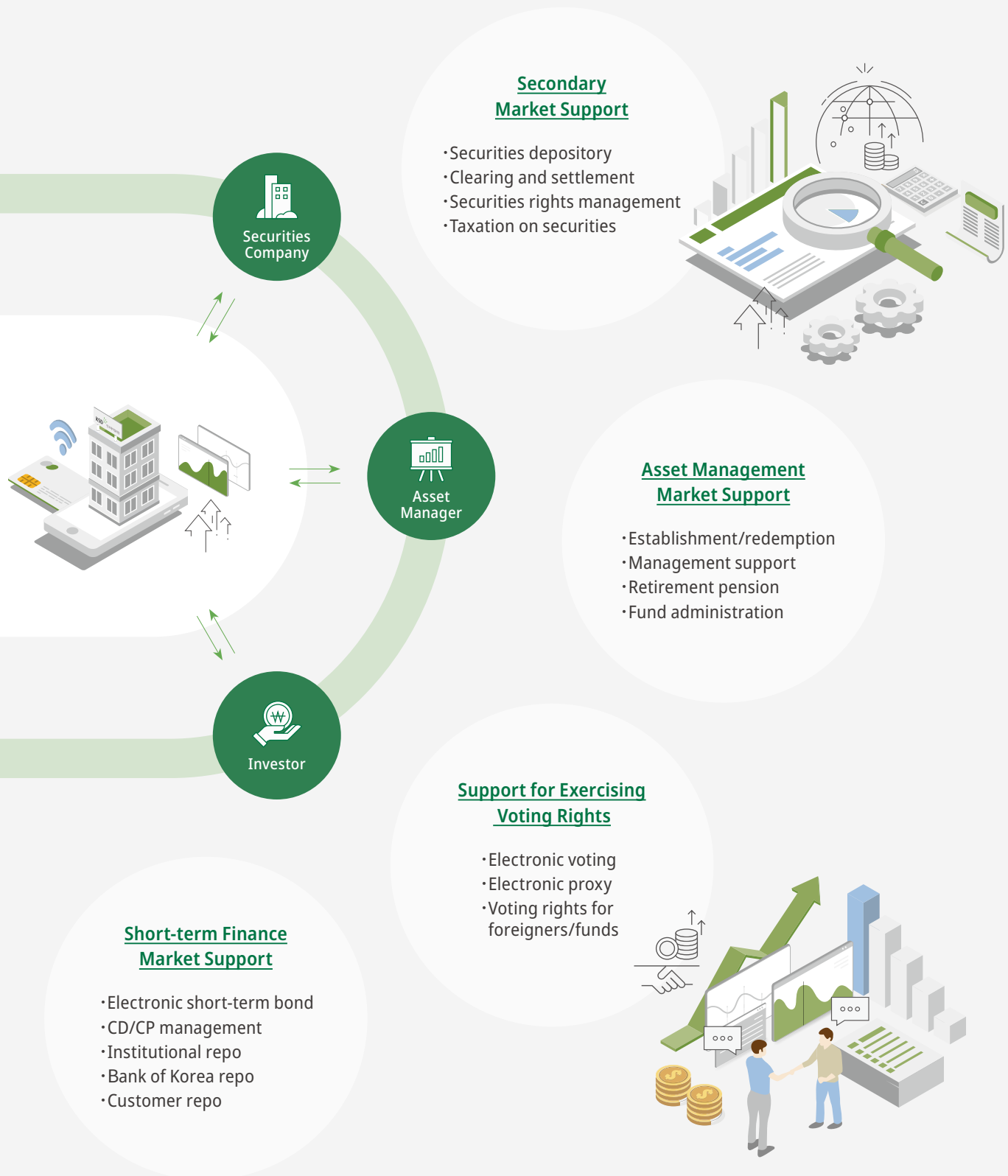


## Business Model





We provide a wide range of services to capital market participants, including securities issuance and distribution, asset management, securities financing, and overseas investment support. As capital markets progress, our service has evolved based on securities deposit and settlement to offer customized high value-added solutions to help our clients save transaction costs and improve efficiency.



## KSD Highlights

KSD fulfills its social responsibility as a public institution by maintaining public trust through management innovations and engaging in a variety of sustainability management activities to create social value.

### 2013

2013.1

Launched electronic short-term bond services

2013.4

Launched the securities information portal SEIBro

2013.7

Launched KONEX market settlement services



### 2014

2014.3

Launched custody and settlement services for the gold spot market

2014.11

Relocated headquarters to Busan



### 2015

2015.1

Launched Legal Entity Identifier (LEI) allocation services

2015.12

Established the retirement pension platform (PensionClear)

### 2016

2016.1

Opened central record management service for crowdfunding

Designated as a central repository by the Financial Services Commission, KSD developed and opened CrowdNet ([www.crowdnet.or.kr](http://www.crowdnet.or.kr)), providing important information about the equity crowdfunding system.

2016.3

Opened ISA-Net Service

KSD established ISA-Net, a comprehensive support system that facilitates automated processing between financial institutions, providing the service to 50 financial institutions.

2016.8

Exported NFS to KSEI Indonesia

KSD developed S-INVEST, a fund platform to standardize and automate fund-related operations, in Indonesia, laying the foundation for the advancement of the Indonesian fund market.



2017

2017.2.

Participated in SIB investment

As the first public institution to participate in social impact bonds (SIBs), KSD supported the self-reliance of the socially vulnerable in Gyeonggi Province.

2017.3.

Launched SLB collateral transaction service

By introducing SLB collateral transactions and expanding qualified collateral, KSD helped alleviate collateral scarcity and invigorate domestic investment in securities.

2017.12.

Launched the E-voting and E-proxy mobile service

Through its user-friendly E-voting and E-proxy mobile services, KSD contributed to the convenience of shareholders in exercising their voting rights and the enhanced work efficiency of GSMS.



2018

2018.3.

Created a support fund for social economy enterprises in Busan

By creating a fund in association with eight other public institutions in Busan, KSD supported social enterprises and promoted the local economy in Busan.

2018.8.

Established KSDREAM Co., Ltd.

KSD became the first public institution to establish a to shift temporary workers to permanent positions and enhance their quality of work

2018.10.

Launched the foreign securities lending service

KSD introduced foreign securities lending services to increase the utilization of foreign securities and diversify investment areas.



2019

2019.3.

Established the Comprehensive Human Rights Management Plan

KSD formed its human rights management structure by establishing the Comprehensive Human Rights Management Plan.

2019.3.

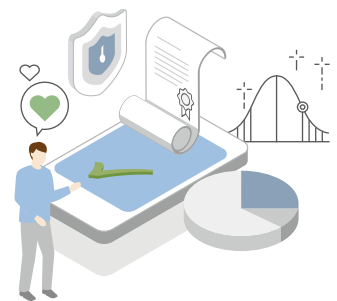
Attained the highest grade (S) of customer satisfaction

KSD attained the highest grade (S) in the Public-service Customer Satisfaction Index (PCSI) of the Ministry of Economy and Finance.

2019.9.

Launched the electronic securities system

KSD successfully launched the electronic securities system which enables the electronic issuance and management of securities in a digital securities market environment.





**SECTION 1**

KOREA SECURITIES  
DEPOSITORY  
**GOVERNANCE**

— KSD is committed to establishing sound corporate governance to promote the interests of companies and shareholders, and support sustainable growth.

— In addition, we are building a system to implement a sustainability management strategy and create social value based on which we incorporate sustainable practices in our operations.

## **Governance**

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## Governance Structure

### Composition of the BOD

The Board of Directors (BOD) is the highest decision-making body of KSD with the authority to review and determine important matters, such as those set forth by applicable laws, regulations or the Articles of Incorporation, matters entrusted by the General Meeting of Shareholders or matters concerning basic management policies and business operations. The Board consists of six directors: two executive directors including the CEO, who is also the Chair of the Board, and four non-executive directors. The CEO is appointed through a resolution of the General Meeting of Shareholders and the approval of the Financial Services Commission, while senior managing directors and non-executive directors require only a resolution of the General Meeting of Shareholders for appointment. The CEO and Public Representatives (two persons) are subject to nomination by the Executive Nomination Committee. The standing auditor is appointed at the General Meeting of Shareholders upon being nominated by the Executive Nomination Committee, and may state his or her opinion by attending a meeting of the Board.

### Status of the BOD and Auditor

(As of September 2019)

Categorization		Name	Field(s) of Expertise
Executive Directors	CEO	Lee Byung-rhae	Finance
	Senior Managing Director	Park Im-chool	Finance, Law
Non-executive Directors		Park Dae-hae	Finance
		Kim Shin	Finance
		Lim Jae-joon	Finance
Standing Auditor		Ahn Sang-seop	Law

\*Currently, one non-executive director position is vacant.

### Expertise of the BOD

To ensure the expertise of the BOD, KSD appoints experts not only from the finance industry but a variety of fields, including law, as non-executive directors. Major criteria for appointment include general knowledge of the capital market, experience and expertise related to KSD's business, and a sense of ethics and responsibility. Management proposals made by non-executive directors are reviewed by the relevant departments to determine whether they should be adopted or made available for future reference, and are then reported to the supervising directors. Non-executive directors are also invited as lecturers to management strategy meetings and manager workshops so as to utilize their extensive experience and expertise to the most benefit.

### Independence of the BOD

KSD guarantees the independence of the BOD so that it can fully carry out its role of exerting checks and balances within the company and ensuring objective decision-making. In particular, the BOD verifies whether there are any legal grounds for disqualification regarding non-executive director candidates, such as ensuring they have no special relationship to the company. Furthermore, directors who have any special interest in specific agenda items brought to the BOD are not entitled to exercise their voting rights pursuant to Article 8, Clause 3 of the BOD Regulations in order to prevent any conflict of interest within the BOD.

### Activities of the BOD

The BOD convenes once a month for its regular meetings and holds temporary meetings when deliberation or resolutions are required. In addition, meetings of non-executive directors are held in order to strengthen the functions of the BOD and expand the participation of non-executive members in corporate management. Minutes from the BOD meetings are uploaded on the company website, disclosing major managerial issues and decisions to shareholders and external stakeholders in a transparent manner.

### BOD Performance

(As of June 2019)

Categorization	Unit	2016	2017	2018
Number of Sessions	Times	14	12	11
Number of Agenda Items	Number	32	44	30
Corrective Resolutions	%	0	2.3	10
Attendance Rate of Non-executive Directors	%	91	98	87

### Subcommittees Under the BOD

KSD operates an Executive Remuneration Committee under the BOD in an effort to enhance the transparency of management and improve the governance structure of the company.

### Status of Subcommittees under the BOD

Executive Remuneration Committee	<p><b>Composition and Responsibilities</b></p> <ul style="list-style-type: none"> <li>• Consists of all non-executive directors (four persons) from whom a chair person is to be elected by mutual vote</li> <li>• Reviews and resolves matters regarding remuneration/severance policies for executives and managing directors</li> </ul>	<p><b>Performance in 2018</b></p> <ul style="list-style-type: none"> <li>• Convened a total of two times</li> <li>• Major activities include deciding on the remuneration limit for executives and other remuneration amounts in compliance with government guidelines</li> </ul>
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### Performance Evaluation and Compensation of the BOD

Executive officers including the CEO and senior managing director are subject to performance evaluation through internal and external management evaluations. Management executives are remunerated in consideration of their positions and contributions and in accordance with standards set by the Executive Remuneration Committee. Service allowances are granted to non-executive directors.

# Risk Management

## Risk Management System

KSD's risk management system safely and systematically protects institutional and individual investors' securities from various internal and external risks. Through our risk management system, we have secured a globally competitive level of stability and reliability in our business management, thereby fulfilling our responsibilities as a comprehensive manager of the public's investment assets.

### Risk Management Objective



### Risk Management Organization

In an effort to strengthen risk management at an enterprise-wide level, KSD operates a Risk Management Committee separately from the Board of Directors. Consisting of outside experts in each field, the Committee analyzes new risk factors and resolves major risk-related issues. We also control and manage risks with a three-step approach through the (i) Risk Management Department, the department in charge of systematic internal control, (ii) business departments and the (iii) Auditing Department.

### Risk Management Organizational Chart



### Enterprise-Wide Risk Management System

In response to rising demand for a stronger capacity to manage and respond to internal and external risks, KSD has established and operates an Enterprise-Wide Risk Management (ERM) system, an expansion of the company's existing risk management system which was built and further developed to better address operating risks. Since 2018, KSD has been establishing a more elaborate and effective risk management environment to further strengthen compliance and internal control by connecting the ERP system with other systems, including ones related to compliance and human resources, as well as by automating its monitoring functions.

### Mid- to Long-Term Roadmap for Risk Management

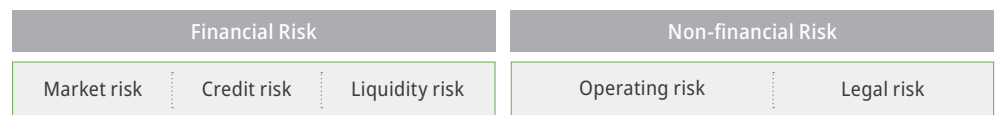




**Scope of Risk Management**

KSD categorizes risks related to our corporate management activities into financial and non-financial risks. Financial risks, including market, credit and liquidity risks, are managed through daily measurement and monitoring of each type of risk to keep them within preset limits. Non-financial risks, including operational and legal risks, are managed more actively and proactively through our Risk and Control Self-Assessment (RCSA), key risk indicator (KRI) monitoring, and checklist examination.

**Areas of Risk Management**



**Strengthening Internal Control Activities**

**Controlling New Risk Factors and Strengthening Management Activities**

In response to growing uncertainties in the financial market and the reinforcement of domestic and international supervisory standards such as the enactment of the Principles for Financial Market Infrastructures (PFMI) KSD recognizes the need to improve its financial risk management system. To this end, we have enhanced our financial risk management system by refining our methods of measuring and managing market and credit risks, as well as implementing a stress test system in case of crisis. At the same time, we are continuously improving our asset quality by securing sufficient financial resources to cope with any potential losses indicated by stress test results.

**Strengthening Compliance Activities to Improve Work Stability at the Company Level**

In relation to anti-money laundering (AML) activities, the importance of which have recently been emphasized both domestically and internationally, KSD has examined its overall status of internal control and strengthened its AML system by identifying major areas for improvement. We have proactively responded to changes in relevant laws and regulations by supplementing existing work guidelines and establishing new work regulations, in addition to improving our business procedures and system. We will continue to create a stable work environment by closely monitoring relevant systems and cases.

**Strengthening Work-Related Risk Monitoring System at the Company Level**

KSD has an internal control system encompassing real-time monitoring of operational risks through key risk indicators (KRIs), a risk alert system, and a regular reporting system for monitoring results. We have also established internal control standards that our employees must comply with and a compliance system to ensure that such standards are adhered to.

However, we have been developing a company-wide risk response system to prepare for unanticipated situations. Since 2018, this has included updating our business continuity plan (BCP) at the company level and enhancing responses to computer system errors. In particular, we have designated core tasks and defined the roles of each organizational unit to establish a recovery plan based on impact analysis at the department level. Furthermore, we are improving our ability to respond to incidents of risk by conducting practice drills with the participation of client firms.

**Internalizing Risk Management Awareness in Employees**

KSD periodically revises and publishes compliance manuals to support employees in performing compliance-related tasks and enhance their understanding of compliance. Each year, in order to strengthen risk management, we also conduct enterprise-wide personal (credit) information protection training and actively share risk management-related information with employees.



**Information Sharing**

- Enterprise-wide training on internal control
- Distribution of newsletters on personal (credit) information



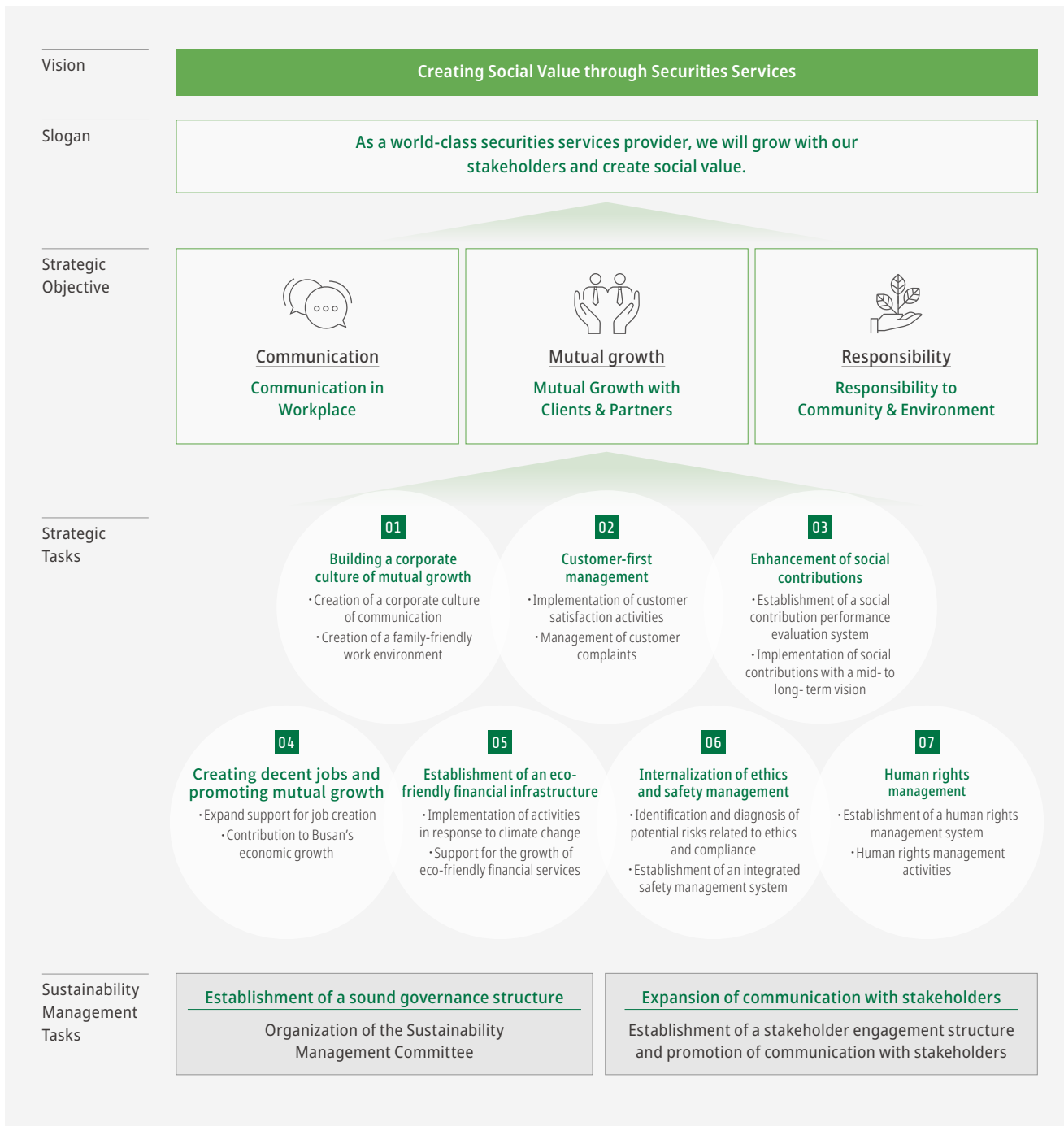
**Manual Publishing**

- Publication and distribution of compliance operation manual
- Publication and distribution of cases of privacy breach

# Sustainability Management Strategy

## Sustainability Management Strategy Framework

KSD has established a sustainability management strategy framework to generate social value and grow jointly with stakeholders. Pursuant to the vision of “creating social value through securities services”, the framework consists of three strategic directions (communication, mutual growth and responsibility), seven strategic tasks and sustainability management-based tasks. Based on this framework, we are generating social value by actively carrying out sustainability management activities.



**Communication**

KSD will create a workplace where the company and employees can grow together and pursue shared value. We will promote human rights management to prevent any violations of our stakeholders' human rights while building a corporate culture of mutual growth for all our employees. By continuously undertaking various ethical management activities, we will internalize ethical management practices and grow into an organization of integrity and transparency.

**Mutual growth**

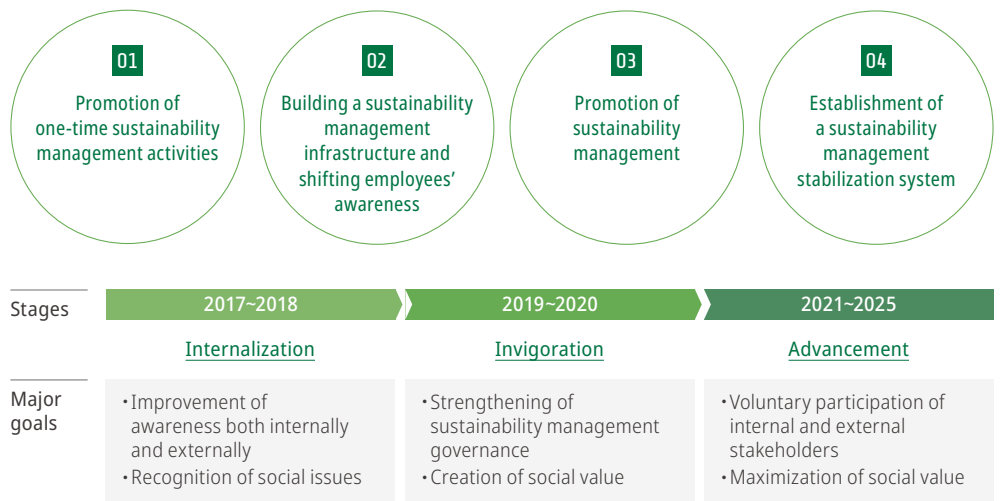
Based on mutual growth , KSD will create social value throughout our entire value chain, from clients to partners. We will implement customer-first management to enhance customer satisfaction, while achieving mutual growth with local partners by supporting the local economy.

**Responsibility**

KSD will fulfill its corporate social responsibility by promptly responding to social issues and providing solutions to their fundamental causes. We will generate social value by actively promoting social contribution activities in line with social demands while playing an active role in the establishment of an eco-friendly financial structure for future generations.

**Sustainability Management Roadmap**

KSD has established a sustainability management roadmap and based on this we are taking a step-by-step approach in pushing ahead with sustainability management. By 2025, KSD will have established a stable sustainability management system in our organization, helping to maximize social values.



## Stakeholder Engagement

### Stakeholder Communication

KSD categorizes its stakeholders into eight groups, operates communication channels for each group and continuously engages in various activities to build cooperative relationships with them. We conducted a survey of our internal and external stakeholders on the status and level of our sustainability management and the results will be reflected in KSD's sustainability management activities in the future.

### Stakeholder Survey Results

	Economic Areas	Social Areas	Environmental Areas
High Performance Areas	<ul style="list-style-type: none"> <li>Expansion of function as the core infrastructure of the financial market</li> <li>Stable depository and settlement operations</li> </ul>	<ul style="list-style-type: none"> <li>Advancement of information security system</li> <li>Efforts to enhance customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Use and management of sustainable resources</li> <li>Creation of an eco-friendly culture</li> </ul>
Areas for Improvement	<ul style="list-style-type: none"> <li>Securing soundness of governance</li> </ul>	<ul style="list-style-type: none"> <li>Guarantee of diversity and equal opportunity among employees</li> <li>Expansion of volunteer activities among employees</li> </ul>	<ul style="list-style-type: none"> <li>Expansion and management of eco-investment</li> <li>Strengthening of low-carbon financial infrastructure</li> </ul>

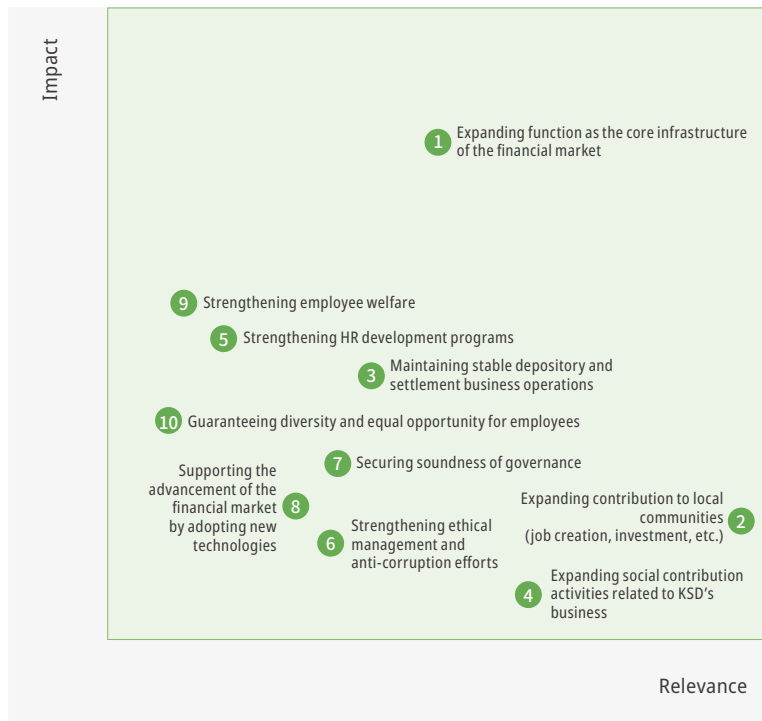
Stakeholder	Communication Channels	Main Activities
Customers	<ul style="list-style-type: none"> <li>SAFE+ system</li> <li>CEO conference and letters</li> <li>Customer CS camp</li> <li>Customer conferences</li> </ul>	<ul style="list-style-type: none"> <li>Participant conference (4 times, 205 participants)</li> <li>Anti-corruption customer monitoring meeting (2 times)</li> <li>Customer training program (67 times, 4,610 participants)</li> <li>Bluebird Team for customer satisfaction (12 times, 327 participants)</li> <li>KSD Talk (110 times, 1,158 participants)</li> </ul>
Government	<ul style="list-style-type: none"> <li>Business report</li> <li>Major business meetings</li> </ul>	<ul style="list-style-type: none"> <li>Approval from Financial Services Commission to change Articles of Incorporation</li> <li>Audit by National Assembly</li> <li>Government management evaluation</li> </ul>
Peer	<ul style="list-style-type: none"> <li>SWIFT standard messages</li> <li>Participant communication system</li> </ul>	<ul style="list-style-type: none"> <li>Overseas financial cooperation conferences (12 times)</li> <li>Asia-Pacific Central Securities Depository Group (ACG) (20 times)</li> <li>World Forum of CSDs (WFC) (14 times)</li> </ul>
Local Community	<ul style="list-style-type: none"> <li>Nanum Foundation website</li> <li>Sustainability Report</li> </ul>	<ul style="list-style-type: none"> <li>Volunteering corps</li> <li>Partner conferences</li> </ul>
Academia	<ul style="list-style-type: none"> <li>Academic conferences</li> <li>Seminars</li> </ul>	<ul style="list-style-type: none"> <li>Symposium</li> <li>Jeunggyeon sarangbang</li> </ul>
Media	<ul style="list-style-type: none"> <li>Press seminars</li> <li>Press briefings</li> </ul>	<ul style="list-style-type: none"> <li>PR meetings</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Labor-management conferences and meetings</li> <li>Labor-management workshops</li> <li>Communication Committee</li> </ul>	<ul style="list-style-type: none"> <li>TLC system</li> <li>Grievance handling system</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Shareholders' meetings</li> <li>Board meetings</li> <li>Business reports</li> </ul>	<ul style="list-style-type: none"> <li>Annual reports</li> <li>Executive meetings</li> </ul>

## Materiality Test

### Materiality Test and Selection of Material Issues

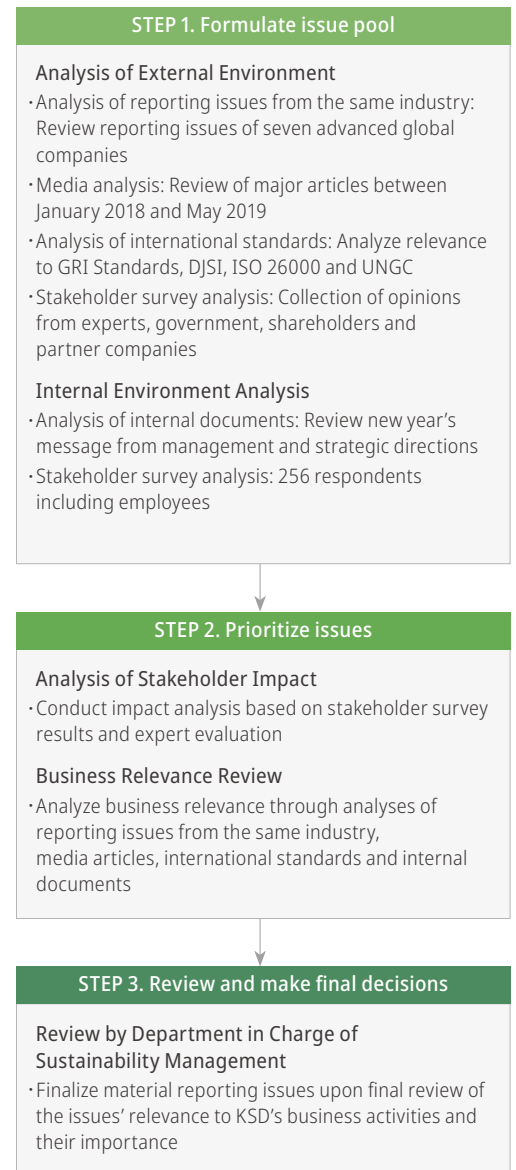
Based on our sustainability management activities and stakeholder opinions, KSD has identified material issues by considering various internal and external issues. Relevant activities and performance are provided in detail in this report.

#### Materiality Test Matrix



Order of Priority	Issues	GRI Standards	Pages
1	Expanding function as the core infrastructure of the financial market	-	30-35
2	Expanding contribution to local communities (job creation, investment, etc.)	203-1	14-17, 42-49
3	Maintaining stable depository and settlement business operations	-	10-13
4	Expanding social contribution activities related to KSD's business	203-1, 413-1	43-44
5	Strengthening HR development programs	404-1, 2	53-54
6	Strengthening ethical management and anti-corruption efforts	205-1, 2	57-61
7	Securing soundness of governance	102-18	20-21
8	Supporting the advancement of the financial market by adopting new technologies	-	10-13
9	Strengthening employee welfare	401-2, 3	55, 72
10	Guaranteeing diversity of and equal opportunity for employees	405-1	71

#### Materiality Test Process





SECTION 2

KOREA SECURITIES  
DEPOSITORY  
**SUSTAINABLE  
MANAGEMENT**

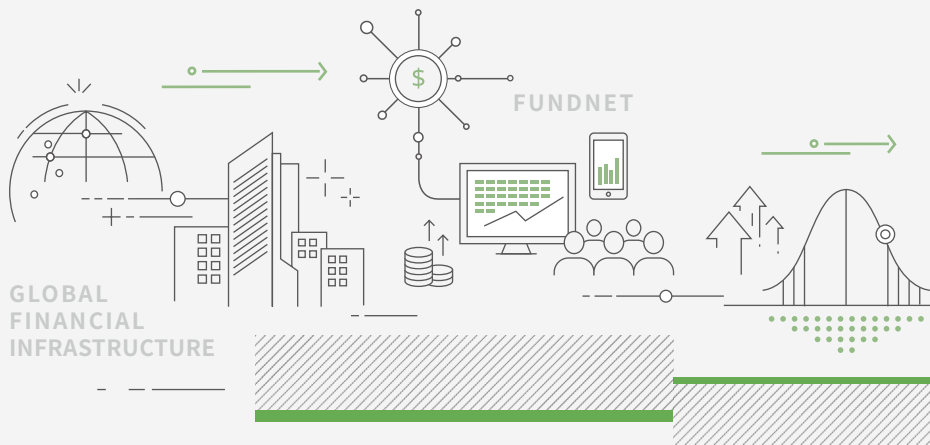
KSD seeks to implement sustainability management properly by internalizing it in all business activities. We pursue a form of sustainability management that our stakeholders can trust and participate in while seeking to achieve sustainable growth based on strategies and activities centered on the creation of social and environmental value.

### Sustainable Management

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# 01

## Strengthening Business Competitiveness



### RISK & OPPORTUNITY

The prolonged global economic downturn and other unstable economic conditions at home and abroad remain a risk. The domestic capital market, in particular, is expected to respond more sensitively to economic fluctuations and uncertainties caused by the worsening global economy. In these circumstances, we are witnessing structural and business changes across the industry, including the emergence of financial IT innovations and fintech industries.

### OUR APPROACH

KSD responds flexibly to changes in the internal and external business environments as well as to new technological developments. Based on systematic business management processes that make us more competitive in the depository and settlement industry, we take proactive measures to understand the demands of our customers, providing them with market-friendly services attuned to their needs. At the same time, we are strengthening our global capital market businesses to enhance our competitiveness in the global market.

### KEY PERFORMANCE





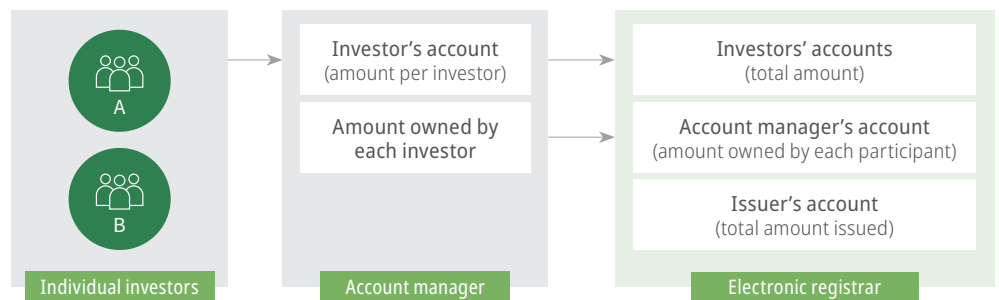
## Introducing the Electronic Securities System to Build a Sound Financial Environment

The electronic securities system is a system by which the registration and issuance of securities can be administered electronically without physical certificates, and subsequent rights are recorded on an electronic register, allowing investors to acquire, transfer and exercise their rights electronically. It is an advanced infrastructure for capital markets that has been adopted by 33 of the 36 OECD countries. Prior to this new system, the securities deposit system was in operation in the Korean capital market, which is defined by the custody of physical certificates in a central depository institution. However, the risk of forgery, alteration, tax evasion and illicit transactions, as well as the social costs of issuing and distributing physical certificates could not be eliminated. The implementation of the electronic securities system in September 2019 is expected to fundamentally eliminate such varied social issues associated with the issuance and circulation of physical securities. As an electronic register under the Electronic Securities Act, KSD will ensure the stable operation of the system and promote electronic securities system to support innovation and growth of capital markets.

### Systematic Efforts to Prepare for the Era of Electronic Securities

For the successful introduction and implementation of the electronic securities system, KSD, in its capacity as an electronic registration authority, has invested resources and energy into establishing a legal, systemic and social environment to establish successful induction and implementation. First of all, we contributed to building a legal foundation for the electronic securities system by supporting the Financial Services Commission and the Ministry of Justice in the establishment and revision of relevant laws and regulations such as the Enforcement Decree of the Electronic Securities Act. In addition, we promoted active communication with market participants and reflected their input to make the electronic securities system market-friendly. We also improved the security and servers for the IT infrastructure to ensure stable operation of the electronic securities system. Other efforts include raising awareness of the electronic securities system among policy participants including the public, securities issuers and financial institutions, by producing and distributing PR content specifically targeting a variety of subjects, periods and media.

### Operational Structure of the Electronic Securities System



Direct Economic Value(expected)

**KRW 904.5 billion**

Average annual savings over five years

### Expected Benefits of the Electronic Securities System

#### Enhanced Transparency of Securities Transactions and Protection of Investor Rights

The electronic securities system prevents the risk of forgery, alteration, theft and loss arising from physical securities certificates, and fundamentally eliminates the risk of illicit transactions and tax evasion by managing all transactions of securities issuance and circulation through the system of the electronic registrar, thereby enhancing the overall transparency of the securities market. In addition, it becomes easier for investors to exercise their rights, as individual transfer of the title is no longer required.

#### Generating Social Value through a Low-cost, High-efficiency Digital Securities Market

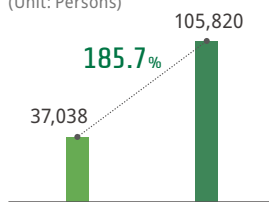
Securities issuance and circulation is handled by a standardized system supplied by KSD, streamlining work procedures. Securities issuers can reduce their financing costs and expedite the issuance and circulation process, and thus financing as no issuance of physical certificates is required. Meanwhile, financial institutions can improve their work process when it comes to managing securities and seek opportunities in digital-based innovative businesses.

## Promoting the E-voting and E-proxy Systems

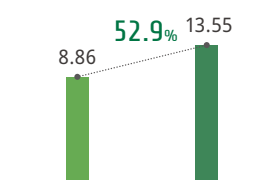
### E-voting Performance

■ 2017 Annual Meeting of Shareholders  
■ 2018 Annual Meeting of Shareholders

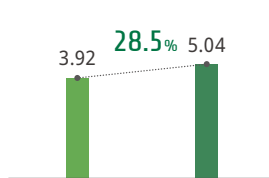
No. of Shareholders Using the System  
(Unit: Persons)



No. of Shares Exercised  
(Unit: 100 million)



Exercise Rate  
(Unit: %)  
(Based on the no. of shares)



The electronic voting system (E-voting) allows shareholders to exercise their voting rights online without having to attend the general shareholders' meeting (GSM). The electronic proxy system (E-proxy), on the other hand, allows proxy solicitors such as issuers to upload the proxy form and reference documents online, after which shareholders can grant proxies through authorized digital signatures. In Korea, GSMs are held primarily in metropolitan areas and on specific days in March every year, placing considerable limitations on companies in securing voting rights and on shareholders in participating in the meetings. The E-voting system was adopted in 2010 to overcome these obstacles, enabling shareholders to exercise their voting rights without attending GSMs. As the only voting rights management authority in Korea, KSD established the E-voting infrastructure.

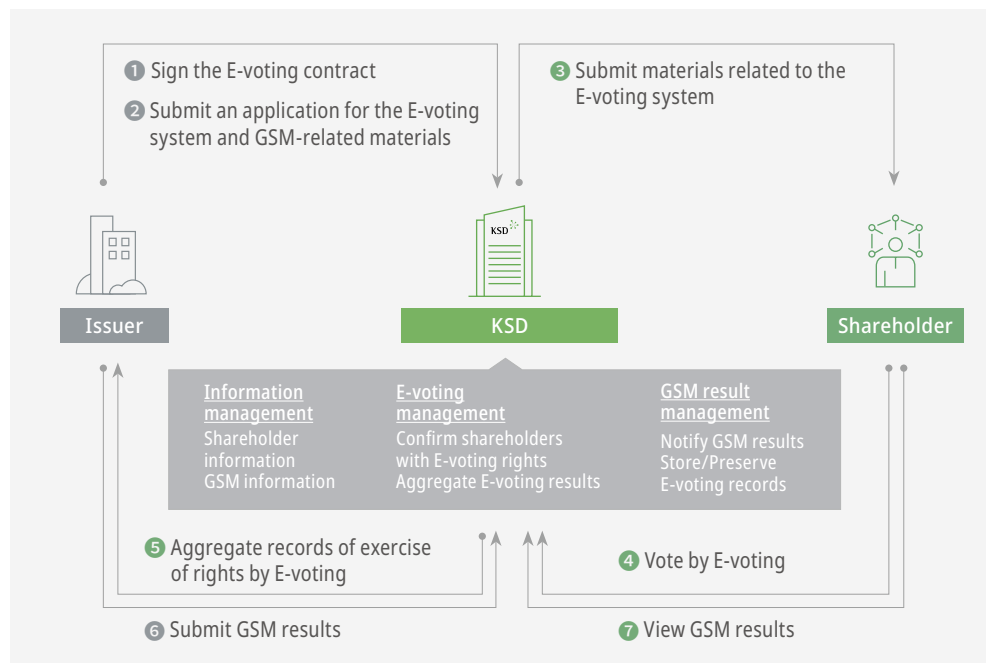
### Undertaking Activities to Promote the E-voting and E-proxy Systems

KSD undertakes a variety of activities to promote the use of the E-voting and E-proxy systems. We have raised public awareness of the systems through online and offline advertisements, while encouraging minority shareholders to exercise their voting rights by providing incentives for their participation. At the same time, we have promoted the use of the E-voting system among issuers by holding information sessions and distributing handbooks and leaflets, while holding seminars for government agencies as well as academic, overseas and other relevant institutions. Moreover, as part of our promotional efforts, we have established comprehensive plans to enhance and revitalize the E-voting system as well as taken measures to improve the mobile system. As a result of these activities to create a consensus on the E-voting and E-proxy systems and improve shareholder convenience, there has been a significant increase in the use of the systems compared to the previous year.

### Expected Benefits of the E-voting and E-proxy System

The E-voting and E-proxy systems guarantee that shareholders can exercise their rights, while enhancing the corporate image of participating companies by making a shareholder-centered management policy visible to their shareholders. Other benefits include the computerization of GSM management and reduction of proxy issuance costs. Furthermore, shareholders can easily exercise their voting rights anytime, anywhere without attending GSMs. This has the effect of strengthening shareholder rights.

### Operational Structure of the E-voting and E-proxy Service



## Strengthening the Competitiveness of Asset Management Support Services

\*Test-bed: A platform on which to verify the operational capacity of robo-advisors, which provide asset allocation, management, consultation and other financial services using an automated system

\*Annuity account transfer service: A service that allows subscribers to transfer their annuity savings account or individual retirement pension (IRP) account to another annuity account while maintaining tax benefits such as tax deferral

KSD has enhanced the efficiency of its fund business operations through Fundnet, a collective investment operations system that processes all fund-related operations, from subscription and redemption and the settlement of fund transactions to the distribution of fund-related information using standardized data and messages. We have also enhanced operational convenience in the asset management market by offering ETF-specific management services and fund consulting services.

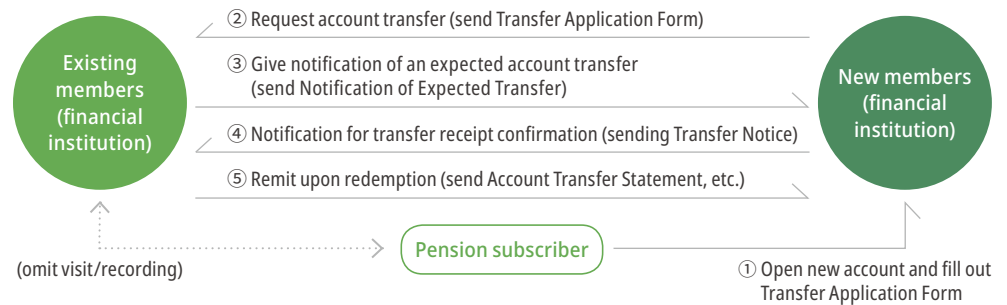
### Strengthening Support for the Robo-Advisor System

Since 2016, KSD has provided active support in measuring profitability to organizations participating in robo-advisor test-bed\* (RATB) projects in order to promote the robo-advisor (RA) market. We handle settlement accounting and profitability measurement for RATB participants, publish business process manuals and provide customized training. We tested six companies participating in the third RATB whose final verification was completed in 2018. Since the launch of our RATB profitability measurement service, we have contributed to the commercialization of a total 35 algorithms, thereby contributing to the promotion of Korea's fintech industry.

### Establishing Infrastructure for the Annuity Account Transfer Service

In support of the government's push to promote the private pension market, KSD has established infrastructure for the annuity account transfer service\* of the Financial Services Commission. We have streamlined business procedures so that all types of account transfers can be handled with a single visit to the financial institution to sign up for the service. In addition, we have standardized account transfer procedures and notification forms between financial institutions, and established a single network for annuity account transfers which connect all individual pension and retirement pension providers through exclusive circuits in order to protect against any risks that may arise from the manual processing of information between financial institutions. Through our efforts, KSD has built a consensus within the industry on the need to establish infrastructure for annuity account transfers while contributing to the promotion of the private pension market by encouraging competition.

### Streamlining the Transfer of Annuity Accounts



## BEST PRACTICE ▶

### Establishing Retirement Pension Provider Management System

In order to verify the financial soundness of the retirement pension industry and enhance the efficiency of financial supervision, KSD has established a system to manage the roles of and information about retirement pension providers. We launched the system after reaching an agreement with relevant institutions on information management standards and operational procedures and revising the "Terms and Conditions on Management Service for Retirement Pension-Related Affairs." Through these efforts, we enhanced the accuracy and effectiveness of funding position verification and financial supervision, and an award from the Financial Supervisory Service on the third annual Finance Day in recognition of our achievements in establishing the pension provider management system.

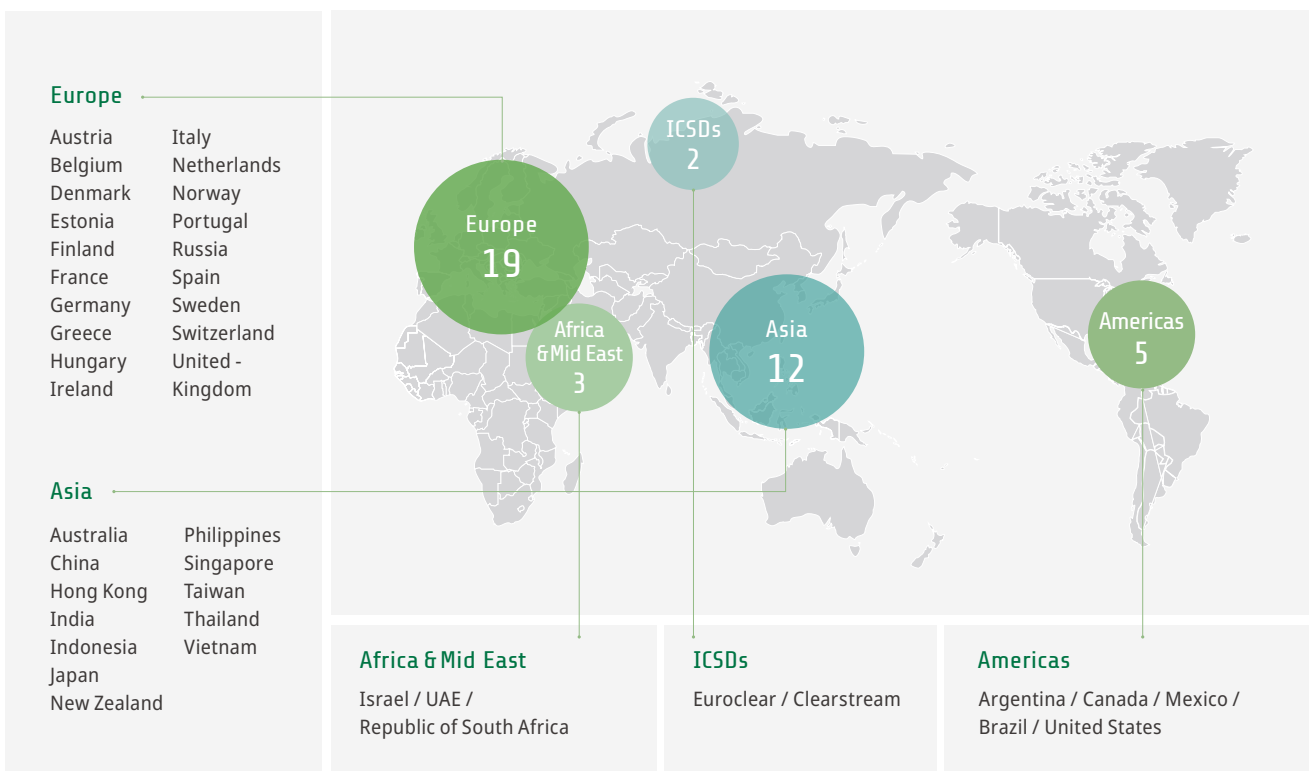


Financial Supervisory Service Award for KSD's Retirement Pension Provider Management Service

## Strengthening Global Investment Support Service

In an effort to support domestic investors in generating new profits and diversifying their investment strategies, we are expanding and strengthening our global investment support services. At the same time, we are leading the Korean wave (“hallyu”) in the financial market by sharing our experience of contributing to the Korean stock market through our unique depository and settlement system and exporting outstanding IT systems to overseas markets.

Markets Covered by KSD's Foreign Currency Securities Depository and Settlement Services



### Expanding Global Investment Support Services

KSD's global depository and settlement business is made up of a global investment support service, which provides cross-border support for the issuance and circulation of securities, and a foreign currency securities depository and settlement service, which supports domestic investors' investments in global financial markets. As of July 2019, our foreign currency securities depository and settlement service covers 41 countries worldwide, and is expanding into more countries to reflect the demand for overseas investment by Koreans.

### Raising KSD's Profile in Overseas Markets Through International Activities

To establish a foundation for expanding business overseas, it is essential to build a global network and a financial cooperation system through activities with international organizations. In this regard, KSD has demonstrated its global leadership by successfully serving as Chair and Secretariat of the Asia Pacific CSD Group (ACG) and the World Forum of CSDs (WFC). In particular, we have enhanced our global standing by demonstrating our overseas business capacity within the Asia-Pacific region while promoting balanced development in the global CSD industry by strengthening our overseas business base. Through these efforts, we expect to further solidify our global network and help to spread the Korean financial wave.

### Expanding Global Financial Infrastructure Networks

KSD is providing to further financial investment business opportunities in the global securities market by promoting exchange and cooperation with relevant institutions overseas and strengthening global promotion activities. In particular, as a leading institution in the depository and settlement industry, KSD plays a key role in the Asian Bond Market Initiative (ABMI), initiating discussions on measures to promote the Asian bond market, including repo and collateral transactions, and taxation of international investment. Moreover, we have held training sessions and workshops on depository and settlement services with CSDs in China, Japan, and ASEAN and Eurasian countries, while actively engaging in exchange and cooperation activities with 31 institutions in 23 countries, including the World Bank, the Depository Trust & Clearing Corporation (DTCC), Euroclear and Clearstream, with which we have signed 35 MOUs.



Presiding over WFC Board Meeting



China Securities Finance (CSF) Visits KSD for Workshop

### BEST PRACTICE ▶

#### Providing Foreign Currency Securities Lending Service

KSD introduced the foreign currency securities lending service in October 2018 to enable domestic financial institutions to generate additional revenue using foreign currency securities. Open to the U.S., Hong Kong and Japanese markets, the service works through a system whereby a lender enters into a tripartite service contract with KSD and an agent, and the agent automatically borrows the foreign currency securities and provides services such as guarantee of the return of securities, collateral management and management of rights derived from the loaned securities. The lender can use the service through simple business monitoring, without a separate contract with the borrower. In June 2019, KSD's foreign currency securities lending service was awarded the "Best Securities Lending Mandate of the Year" at The Asset Triple A-Asset Servicing, Institutional Investor and Insurance Awards 2019 hosted by the global financial magazine The Asset. In the future, we plan to gradually expand the service in consideration of the demands of participating institutions and the scale of investment.



Awarded "Mandate of the Year" by The Asset

\*Knowledge Sharing Program (KSP): A government project whereby participating countries share their experiences of economic development for economic cooperation

### Exporting Financial Infrastructure Through Marketing Efforts Towards Major Countries

KSD has diversified its marketing channels to expand the export of financial infrastructure to developing countries and create a foundation for future profit generation. In addition to the established direct-marketing channels, we have provided consulting services in Mongolia and Azerbaijan by actively utilizing the government's Knowledge Sharing Program (KSP)\*. Furthermore, we have broadened personnel exchanges with CSDs in Mongolia, Vietnam, Uzbekistan and other countries, strengthening the basis on which to promote financial infrastructure development projects.

 <b>Indonesia</b> Renewed maintenance agreement on exported system	 <b>Azerbaijan</b> Conducted research on KSP project and made policy proposals in 2018	 <b>Mongolia</b> Selected as KSP research partner in 2019	  <b>Uzbekistan</b> <b>Vietnam</b> Explored new business opportunities through the exchange of depository and settlement experts with CSDs in respective countries
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### Support for Innovative Startup Ecosystem

KSD strives to support start-up businesses and the government's financial innovation policies by continuously improving relevant operating systems and opening communication channels. In particular, we encourage the creation of jobs and a sound ecosystem for crowdfunding while supporting the growth of the big data and fintech industries through various activities that will help the future financial industry to grow.

### Promoting Crowdfunding

We hold campaigns nationwide to promote the equity crowdfunding system and undertake a variety of activities to enhance convenience for both investors and issuers. In particular, we improved and stabilized the central repository system and operation framework for securities-type crowdfunding. In addition, we have strengthened the CrowdNet mobile service as well as internal and external activities to promote the crowdfunding system. Through these efforts, 185 crowdfunding projects were successfully financed, raising KRW 30.3 billion in 2018. Both the crowdfunding success rate and the number of investors increased from 2017. CrowdNet was also recognized as an exemplary website, receiving an Excellence Award at Web Awards Korea 2018.



CrowdNet Responsive Web Design



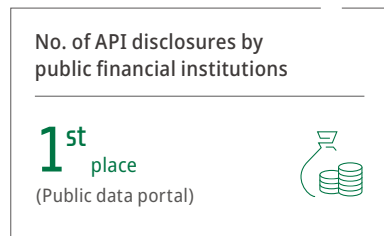
Excellence Award in Public Service

### Creating a Sound Crowdfunding Ecosystem

While providing systemic support such as facilitating information sharing between corporations and promotional activities, KSD has managed the establishment of the Crowdfunding Council and serves as coordinator to promote sustainable growth and development of crowdfunded startups. We created a list of member companies and established multiple communication channels to support constant communication between successful companies, including a contact system on social networks and regular meetings. By establishing a mid- to long-term roadmap, we have decided on future directions for the Crowdfunding Council and its major tasks. Through these efforts, we will create a sound ecosystem for crowdfunding, broadening communication channels between companies and playing a central role in carrying out projects that support the crowdfunding industry.

### Supporting the Growth of the Big Data and Fintech Industries

In line with government policies, KSD supports the continuous growth of the fintech and big data industries by opening up and utilizing public data. More specifically, we have developed new information products and expanded the availability of information while promoting the use of open platforms by undertaking a total reorganization of the system including streamlining of services and broadening the spectrum of users. Furthermore, we have opened up public data in the form of APIs to support start-up businesses by fintech companies using public data. Finally, we are developing a model to promote the big data industry and implementing a big data service platform.



Crowdfunding Council Ceremony

#### BEST PRACTICE ▶

#### Expanding the Opening Up of Data and Securing Big Data Capacity via SEIBro Open Platform

KSD actively supports government financial innovation policies by opening up public data and securing big data capacity. We have discovered high value-added analysis information based on actual demand by forming consultative groups with fintech companies, and expanded the availability of information in the form of APIs. Furthermore, we have undertaken a complete reorganization of the SEIBro Open Platform, thereby supporting the establishment and operation of new business models that enable not only fintech companies, but companies in general to utilize KSD's data. As a result, the numbers of newly executed contracts on the SEIBro Open Platform, as well as the number of visitors and views, continue to grow.

At the same time, we designed a big data service platform, identified information for new analysis, diversified open information channels including the Big Data Industry Support Portal, and established an implementation roadmap in preparation for the 4th Industrial Revolution and in support of the government policies to promote the big data industry.



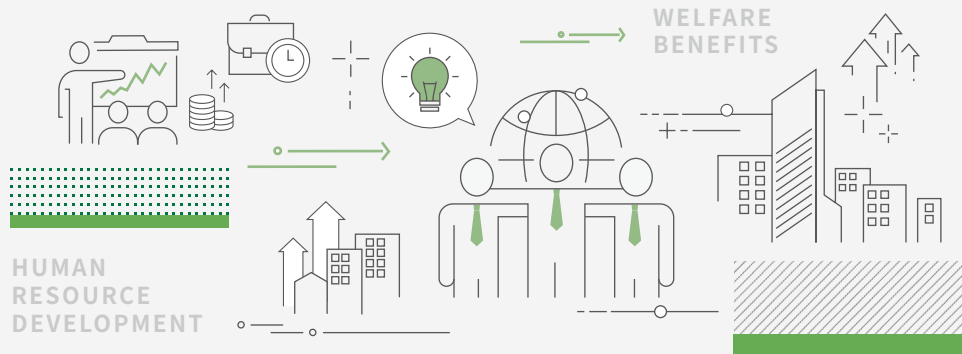
Big Data Service Platform



Held Fintech Companies Meeting

## 02

## Building a Corporate Culture of Mutual Growth



### RISK & OPPORTUNITY

As interactions between countries sharply increase in the era of the 4th Industrial Revolution, various aspects of the financial industry are also changing. Against this backdrop, in order for companies to increase their competitiveness, increasing the competitiveness of their employees – their future leaders – is an essential requirement. In line with a social environment that emphasizes the importance of quality of life, it is also becoming necessary for companies to bring changes to their organizational culture.

### OUR APPROACH

Korea Securities Depository (KSD) offers a variety of education and training programs to develop talented individuals with outstanding expertise and competence. We also strive to enhance employee satisfaction through a multifaceted employee welfare policy and a flexible organizational culture. We will continue to secure competitive and talented individuals to drive our future growth and create an environment where our employees can enjoy their work.

### KEY PERFORMANCE

**93.7** Points  
Employee Satisfaction

KRW  
**4.839** million  
Education Cost per Employee

**5,292** Hours  
Total Hours of On-the-Job Training

\*As of 2018



## Developing Global Financial Human Resource

In order to foster financial human resource that meets the highest global standards, KSD has established its own human resource development target and human resource development system and operates various educational programs accordingly.

### Human Resource Development Target

In order to grow into a 21st-century, world-class securities services company, KSD has established the following four pillars of human resource development target in alignment with its management objectives.

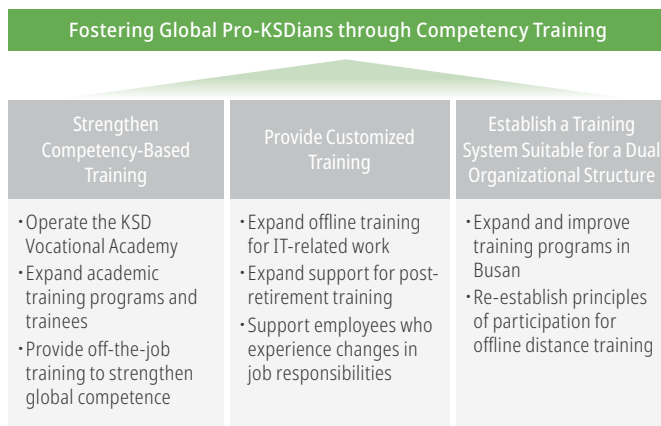
#### Human Resource Development Target

1 GLOBALIZATION	2 PROFESSIONAL	3 RENOVATOR	4 ORIENTING CUSTOMER
<p>Global human resource leading the global financial market</p> <ul style="list-style-type: none"> <li>•Fosters global communication skills</li> <li>•Establishes a global network</li> </ul>	<p>A professional pursuing the highest standards</p> <ul style="list-style-type: none"> <li>•Acquires professional knowledge</li> <li>•Develops global competitiveness</li> </ul>	<p>A challenger who innovates through creative thinking</p> <ul style="list-style-type: none"> <li>•Accepts challenges and new opportunities</li> <li>•Promotes creative and innovative thinking</li> </ul>	<p>A service provider who puts customers first</p> <ul style="list-style-type: none"> <li>•Provides the best service</li> <li>•Builds customer communication channels</li> </ul>

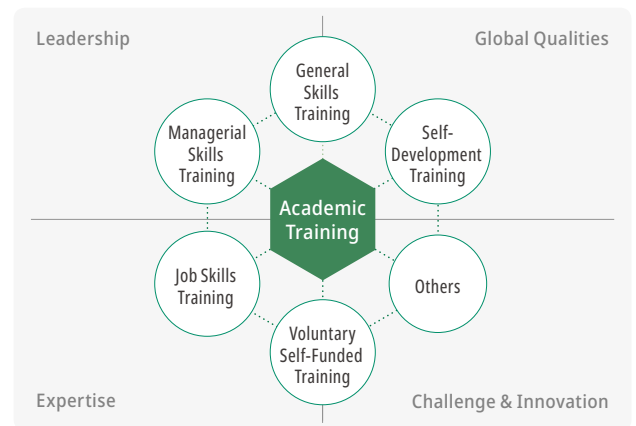
### Human Resource Development System

Our human resource development system is aimed at cultivating “global pro-KSDians” through programs to develop the various skills and competencies required on the domestic and global stage. These include general skills training, managerial skills training, job skills training, self-development training, academic training and voluntary self-funded training.

#### Human Resource Development System



#### Training System



### Strengthening Vocational and Competency-Based Training

#### Providing Competency-Based Training to All Employees

KSD provides competency-based training to all employees to cultivate their vocational capacity and expertise. Through the KSD Academy, we have expanded the vocational training offered to frontline departments to enhance our employees’ job expertise, in addition to strengthening their global competence by offering more in-house language courses and supporting foreign-language test fees. We also hold special lectures by outside experts for all employees on a regular basis to strengthen their competitiveness.



Special Lectures by Outside Experts

### Providing Customized Training to Various Employee Groups

KSD provides leadership training to prospective department heads and new team managers, and online courses on relevant laws and regulations to employees with few years of service. We also offer a junior job mentoring program to help new employees adjust to the workplace and commit to their work. For our senior employees, we offer a post-retirement training program and have expanded support for Life Innovation training.



New Employee Training

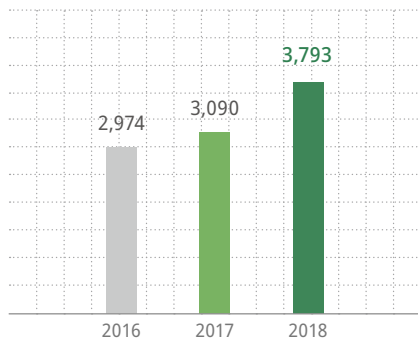


Leadership Training for Employees Assigned to New Positions

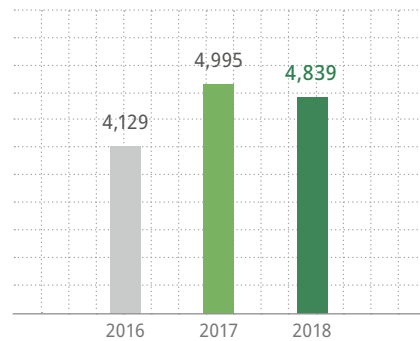
### Education and Training Performance

KSD offers academic programs to encourage high-performing employees to earn master's degrees in Korea and abroad, and finances educational expenses and foreign language training fees to enhance the job competencies of our employees and support their self-development.

No. of Participants in Job Competency Training (Unit: Persons)



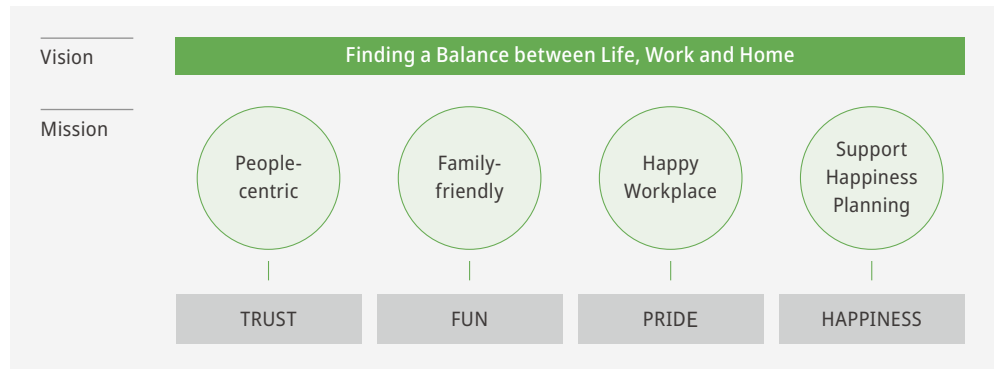
Training Cost per Employee (Unit: KRW 1,000)



Categorization	Competency-Based Training for All Employees			Customized Competency-Based Training		
Program	Individual on-the-job training	Support for language courses and foreign language test fees	Special lectures by experts	Leadership training for employees assigned to new positions	Online course on capital markets and junior job mentoring	Post-retirement training
Performance in 2018	<ul style="list-style-type: none"> <li>No. of sessions: 33</li> <li>Total training hours: 5,292 hours</li> <li>No. of participants (cumulative): 2,415</li> </ul>	<ul style="list-style-type: none"> <li>No. of language course participants: 283</li> <li>Support for foreign language test fees: 90 times</li> </ul>	<ul style="list-style-type: none"> <li>No. of lectures: 2</li> </ul>	<ul style="list-style-type: none"> <li>Held 1 session</li> </ul>	<ul style="list-style-type: none"> <li>Online course on capital markets: Every month</li> <li>Junior job mentoring: 43 employees, 2 months</li> </ul>	<ul style="list-style-type: none"> <li>No. of trainees: 83</li> <li>Support: KRW 4.4 million yearly</li> </ul>

## Employee Welfare and Organizational Culture

KSD's welfare policies help employees feel more satisfied and work more effectively. We strive to ground our organizational culture in mutual respect and consideration, create a flexible culture of communication by building consensus and listening closely to one another's' opinions and establish an organizational culture where all employees can be happy at work.



### Major Welfare Benefit Policies

Living and Culture	Medical Treatment and Health	Congratulatory and Condolatory Events	Leave System
<ul style="list-style-type: none"> <li>• Home purchase and rent-lending program, financial support for leased corporate housing and boarding house in Busan</li> <li>• Support for children's tuition fees</li> <li>• Corporate condominium and employee welfare fund program</li> <li>• Workplace daycare</li> </ul>	<ul style="list-style-type: none"> <li>• Regular medical examinations</li> <li>• Medical fee support</li> </ul>	<ul style="list-style-type: none"> <li>• Congratulatory and condolatory leave and money</li> <li>• Disaster compensation and disaster relief support</li> </ul>	<ul style="list-style-type: none"> <li>• Sick leave</li> <li>• Maternity leave</li> <li>• Annual leave</li> <li>• Childcare leave</li> </ul>

### Promoting Employee Health

KSD offers various programs to help our employees manage and maintain their health. We provide financial support for regular medical examinations and cover medical fees, while operating fitness centers at both our Busan headquarters and Seoul office. In addition, our Employee Aid Program (EAP) helps employees effectively manage their stress and mental health.

### Certified as a Family-Friendly Workplace

The family-friendly workplace certification program designates and certifies companies and public institutions with exemplary family-friendly policies such as maternity and childcare support, flexible working hours and a family-friendly corporate culture. In 2012, KSD was certified as a family-friendly workplace by the Ministry of Gender Equality and Family for, among a wide range of efforts, creating a family-friendly company culture and training family-friendly work environment specialists. KSD earned a renewal of the certification by the Ministry of Gender Equality and Family in 2017.



Family-Friendly Management Certification



Parent Meeting at KSD Daycare Center



Day at the Farm with Family

### KSD Clubs

We support our employees' leisure activities and promote exchanges among them through 25 in-house clubs that include tennis, ukulele, football, violin and various other activities. By taking part in in-house clubs, employees can build consensuses and communicate with others who share similar interests.

### Mentoring for New Employees

We have a mentoring system whereby new employees are paired with senior employees so they can get advice while adjusting to their organization and developing job skills. Mentors and mentees meet freely once or twice a month and engage in various activities such as playing sports, watching a performance or volunteering. This helps mentors support the new employees' smooth adjustment to the workplace. In 2019, we launched an on-the-job competency-based training program conducted by experts with varied backgrounds to help employees with few years of service grow into experts in their respective fields.



Mentoring Award for New Employees

### Strengthening Communication with Employees

KSD held a "Town Hall Meeting with the CEO" as part of its efforts to respect employees in management, as well as to promote communication and mutual trust between labor and management. At the meeting, the CEO and executive officers gave presentations on managerial status and held discussions and a Q&A session on various issues with employees.



Hiking (Seoul)



CEO Town Hall Meeting

SUSTAINABLE MANAGEMENT 03

03

Customer-First Management



RISK & OPPORTUNITY

In order to maintain and strengthen global competitiveness, it is increasingly important for companies to achieve qualitative growth through customer-oriented management. The rapid development of information and communication technology (ICT) is increasing the likelihood of information-related incidents, such as personal information leakage. In this regard, it is essential for companies to protect customer values and provide better services to meet customers' needs through rigorous information protection activities.

OUR APPROACH

Korea Securities Depository (KSD) emphasizes the importance of customer-first management at the company level. To this end, we have established and operate a systematic customer-oriented management system to create customer value. In order to meet customer needs, we have improved communication with customers and enhanced customer satisfaction through regionally customized activities and financial education programs. In addition, IT safety and information security have been further strengthened with the establishment of mid- to long-term strategies and an integrated security management system.

KEY PERFORMANCE

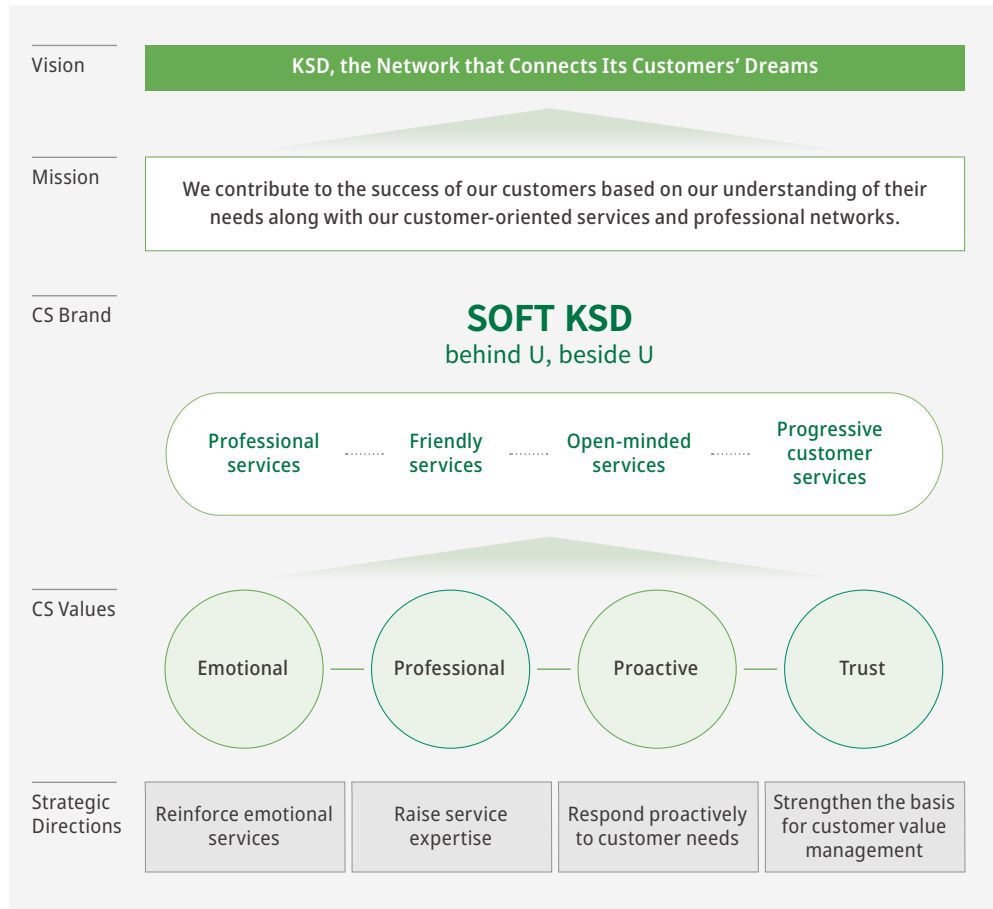


\*As of 2018

## Customer Satisfaction Management System

KSD recognizes that customer-first management is the driving force behind customer satisfaction (CS) and the development of the capital market. In this light, we have established and operate a CS strategy system based on customer values in order to provide services of the highest quality.

### CS Strategy System



### Implementing CS Management Governance

KSD endeavors to create customer happiness through its systematized organizational structure. The CS Management Committee establishes the major directions of KSD's customer satisfaction (CS) management, while the CS Leaders Conference is in charge of improving CS activities and promoting them in each division. The Customer Satisfaction and Support Center, the organization in charge of KSD's CS activities, oversees the overall implementation and execution of CS-related affairs.

Name of Organization	Major Responsibilities	Composition
CS Management Committee	Highest decision-making body for CS management	Approximately 10 members including the Senior Managing Director, Managing Directors, Department Directors and Team Heads
CS Leaders Conference	Improve and promote CS activities within departments	Team Heads and staff of each department
Customer Satisfaction & Support Center	Implement and execute CS activities	Team Heads and staff of the department concerned

## Strengthening Customer Communication

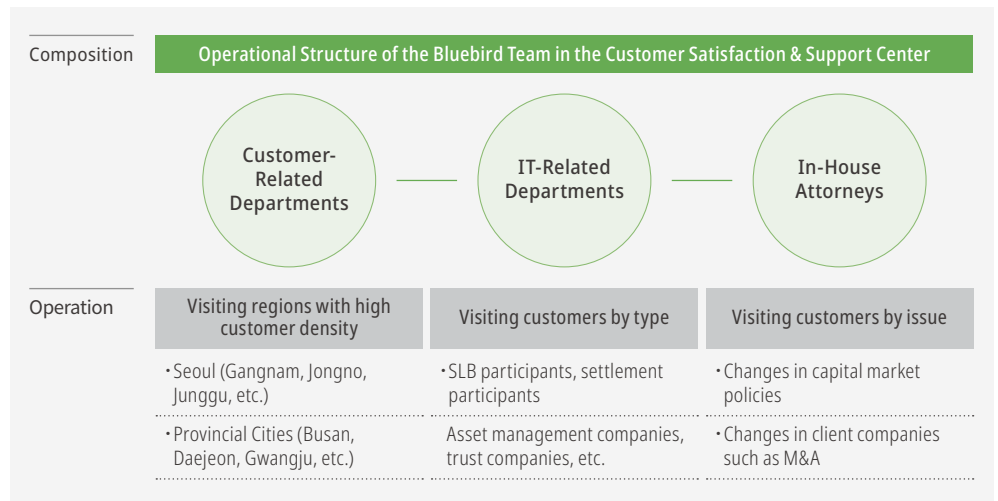
To actively promote communication with customers, KSD operates a variety of online and offline communication channels. Through the activities of the Bluebird Team in the Customer Satisfaction & Support Center, as well as the VOC channel and other communication channels open year-round, we have opened our ears to the opinions of our customers and are building consensus with them.

### Strengthening the Activities of the Bluebird Team

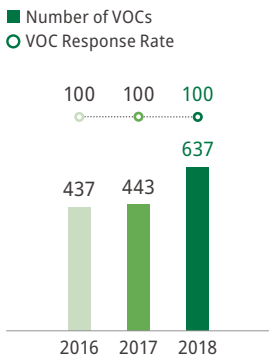
In an effort to visit our customers directly in order to listen to and effectively respond to their grievances and difficulties, KSD has organized the Bluebird Team in the Customer Satisfaction & Support Center. Launched in 2017, the Bluebird Team consists of experts in various fields such as project specialists, IT specialists and attorneys, who provide visitation services in regions with high customer density, depending on the customer group and business issue. In 2018, we expanded visitations to client companies (6 times and 161 persons in 2017 → 12 times and 327 persons in 2018) and carried out electronic securities-related CS activities to provide relevant information and collect opinions. Through these efforts, we were able to proactively identify and improve upon various customer needs.



11<sup>th</sup> Bluebird Team Activity



### Number of VOCs



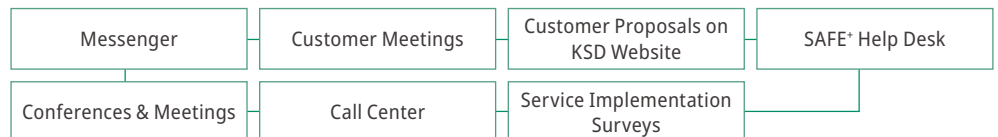
### Promoting Online Communication

Our company website is designed to be customer-friendly and satisfy the high information demands of users through the systematic organization of vast amounts of information and content. We have re-organized the service guidance system to enable users to easily find the information they are looking for, while updating contents to enhance both accuracy and user understanding. We will continue to build more online communication outlets to further promote communication with our customers.

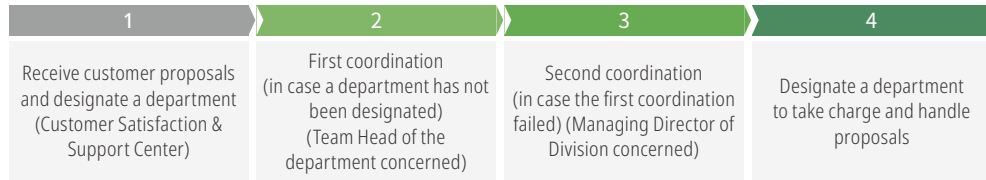
### Advancing the VOC Management System

KSD operates a variety of Voice of Customer (VOC) channels to systematically collect and manage customer opinions, which are promptly analyzed to identify customer needs and reflect them in our management activities. Our advanced VOC management system enables us to designate certain departments to take charge of handling customer proposals, provide feedback to customers on how their proposals are being handled, and offer compensation to employees and their collaborators who implement customer proposals.

#### VOC Channels

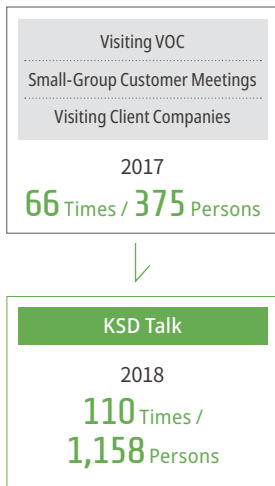


**Process of Designating a Department**



**Implementing CS Campaigns to Enhance Customer Value**

In order to enhance customer value, KSD actively promotes various CS campaigns, including customer invitation events in the Busan headquarters. In addition, we hold CS workshops for relevant departments and top clients to reinforce mutual understanding and cooperative relationships, as well as face-to-face customer services. Since 2018, we have been operating the “KSD Talk” program, which integrates three of our existing CS activities: VOC visitation services, small-group client meetings and visiting client companies. Such efforts to make our CS activities more systematic and efficient by integrating customer relationship management (CRM) activities have led to greater achievements in customer satisfaction management.



**Customer Satisfaction Monitoring**

KSD conducts regular monitoring of CS activities and internal surveys of customer satisfaction, identifying areas for improvement in our customer value creation activities and taking measures accordingly. As a result of these efforts, KSD scored 95.9 points in call service monitoring in 2018, the third consecutive year with a score above 95. In 2018, we obtained the highest grade (S) in the Public-Service Customer Satisfaction Index (PSCI), making us the only public institution in the financial sector with an S grade. Furthermore, we have received the Service Quality Certification – a certification awarded every three years to institutions with exemplary service quality and outstanding customer satisfaction management – three consecutive times since 2012.

**Strengthening CS Capacity**

In order to provide the highest-quality services to our customers, we have various training programs for our employees in addition to a CS compensation system. Our specialized training programs and various compensation policies encourage employees to foster CS service skills and voluntarily motivate themselves to better implement CS management.

**Customized CS Training**

Every year, all KSD employees undergo customized CS training programs. These include CS training for employees, specialized training for individuals in charge of CS and CS training for MOT personnel. We also offer CS capacity-building training to CS leaders in departments that deal directly with customers. Employees on the front lines of customer service receive specialized CS training, helping them acquire the skills required to deliver optimum customer service.

**Training Programs**



**CS Compensation System**

KSD has established various CS compensation programs as part of our efforts to actively pursue customer satisfaction management. Such programs include opportunities to receive overseas CS training for employees with outstanding achievements in CS and prizes for top “Yes Mileage” earners and employees who receive perfect scores on phone monitoring. In addition, CS scores are reflected in the internal evaluation index, allowing employees’ CS efforts to be recognized as part of their performance.



## Enhancing Customer Satisfaction through Customer-Centered Services

As a corporate citizen, we operate various regionally customized programs designed to support the growth of small- and medium-sized enterprises (SMEs) and venture companies, aiming to promote the regional economy and create quality jobs. We are also strengthening communication with customers to identify their needs and provide customized - services. Through these efforts, we can enhance customer satisfaction and generate customer value.

### Regionally Customized Activities

**Busan**

- Supported the growth of local SMEs and venture companies through crowdfunding
- Achieved a 90% funding success rate and created jobs in successfully funded companies
- Enhanced customer satisfaction by identifying and meeting customer needs
- Enhanced convenience in customer services

**Daejeon**

- Hosted mock crowdfunding competitions in Daejeon and Chungcheong Province
- Supported funding and start-ups for universities in Chungcheong Province
- Carried out the "Customer Satisfaction to Your Doorstep" program and held various customer meetings
- Conducted 1:1 financial education for companies in Daejeon

**Daegu**

- Supported equity crowdfunding for resident companies of Knowledge Industrial Center in West Daegu Industrial Complex
- Supported crowdfunding by signing MOU with Daegu Start-up Incubation Center
- Provided financial education to students, undergraduates and teachers in Daegu and Gyeongbuk Province
- Provided business operations training to participants and issuers in Daegu

**Gwangju & Jeonju**

- Hosted crowdfunding competitions in Gwangju and Jeonnam/Jeonbuk Province
- Provided consulting for crowdfunding and training for start-up and venture incubation institutions
- Organized local on-site visits and visits to cultural events in Gwangju and Jeonnam
- Revised customer service-related FAQ and work processing manual

### Enhancing Financial Capabilities by Systematizing Financial Education

In cooperation with financial companies, KSD develops and provides financial education programs for its customers in order to facilitate the smooth handling of customer services and maintain a cooperative relationship with customers. We also work with advanced financial research institutions to offer financial education to local residents and young adults, who are our potential future customers, helping them acquire financial information and establish a sound economic perspective. Furthermore, we strive to systematize financial education by opening finance departments and lectures at universities in Busan, Ulsan, and other cities in Gyeongnam Province as well as Qingdao University in China, thereby contributing to the enhancement of financial capacity.

#### Performance in Customer Education Services

##### Customer Training

Categorization	Unit	2016	2017	2018
No. of Sessions	Times	80	107	118
No. of Participants	Persons	5,438	7,477	8,014

##### Financial Education

Categorization	Unit	2016	2017	2018
No. of Sessions	Times	518	60	124
No. of Participants	Persons	19,190	6,964	13,115

## Strengthening IT Stability and Information Security

KSD has enhanced its efficiency and level of information security management by establishing a comprehensive information security management system featuring the latest advanced functions and standardizing information security operational procedures.

### Mid- to Long-term Strategies for Information Protection

Based on three major information security strategies, we have established mid- to long-term strategies with 14 tasks to be implemented in stages in order to create a more advanced information security system.



### Establishing a Comprehensive IT Security Management System

KSD maintains a high level of security and comprehensively manages IT security through various means. First, we operate an oversight organization that consists of experts in relevant fields. Also, by investing an appropriate budget in IT security, we strictly manage the qualitative implementation of our information security system. Furthermore, we constantly establish and revise regulations on information security to reflect the latest policies and technological trends in our business operations and clarify the grounds for security.

### Information Security Management Requirements by Financial Authorities

	Requirements by Financial Authorities	KSD
Information Security Personnel	5% or more of IT personnel	Approximately 5.1%
Information Security Budget	7% or more of IT budget	Approximately 12.8%

(As of 2018)

### Enhancing Business Stability by Reinforcing IT Security

KSD has adopted an integrated security management system based on innovative IT technology and utilizes big data and machine-learning technologies to analyze and detect incidents of personal information breach, thereby improving its detection rate for abnormalities such as hacking and malicious code as well as its ability to analyze them. Furthermore, in addition to applying new technology to further strengthen information protection, we have replaced old information protection equipment with new to secure reliability and stability.

### Enhancing Information Security Awareness

As it becomes increasingly important to raise awareness of information security and to prevent and respond to information breaches, we are working to strengthen information security awareness at an enterprise-wide level. In order to prevent information breaches, we conduct professional online training and company-wide training on personal information protection. We also hold simulation drill sessions to prepare ourselves against incidents of personal and credit information leakage and support our employees to internalize information security awareness in the real work environment. At the same time, we hold quiz events on Information Protection Day to emphasize the important of information security among our employees.

Internal Education	Training	Promotional Materials
<ul style="list-style-type: none"> <li>• Off-the-job training on information protection and security (each once a year)</li> <li>• Departmental training on information protection and security (at least twice a year)</li> <li>• Online/offline information security education (year-round)</li> <li>• Information Protection Day for raising awareness (once a year)</li> </ul>	<ul style="list-style-type: none"> <li>• Simulation drill for cyber attacks (once a year)</li> <li>• Simulation drill for incidents of personal information breach</li> <li>• Thematic training on information protection (once a year)</li> </ul>	<ul style="list-style-type: none"> <li>• Production and distribution of a casebook of personal information breach incidents</li> <li>• Production and distribution of newsletters on personal information protection (twice a year)</li> <li>• Quiz to promote personal information education</li> </ul>

SUSTAINABLE MANAGEMENT 04

04

## Advancement of Social Contribution



### RISK & OPPORTUNITY

In other countries, institutional measures aimed at creating social value are continuously being developed, including the Guide to Taking Account of Social Considerations in Public Procurement of the European Union and the Social Value Act of the United Kingdom. In our case, the Korean government has selected “public institutions leading the realization of social values” as a policy task, emphasizing the importance of the social responsibilities of public institutions. As such, by identifying and supporting the demands of the public through active communication with local communities, companies are required to both generate economic value and fulfill their responsibilities and roles as members of society.

### OUR APPROACH

Korea Securities Depository (KSD) utilizes its inherent corporate capabilities to spread positive influence in local communities, helping to create a virtuous cycle whereby the development of local communities leads to the growth of the national economy. Using our corporate characteristics, we provide financial education and support vulnerable groups, thereby proactively responding to social issues. Going forward, we will continue to generate economic values and contribute to the sustainable growth of our society in general.

### KEY PERFORMANCE



\*As of 2018

## Social Contribution Strategies

Contributing to the development of the capital market by practicing “inclusive capitalism” and sharing those values with society are important goals of our social contribution activities as well as our responsibilities as a company. In this regard, rather than rely on donations and sponsorships, we generate social value by proactively responding to social and environmental issues through social investments and social contribution activities related to our business.

### Social Contribution Strategy



## Financial Education Projects Using Corporate Characteristics

### Education in Association with KSD Securities Museum



2018  
**9,595** Persons  
**181** Times

### Dream Start Education



2018  
**2,786** Persons  
**163** Times

### Educational Programs Associated with the KSD Securities Museum

In association with the KSD Securities Museum, we offer broad-spectrum education where participants can acquire financial knowledge by experiencing museum exhibitions of various relics and artifacts related to finance. Apart from programs on financial knowledge and financial investments, we offer programs that meet the needs of various participant groups, including “Special Summer/Winter Camps,” where participants learn the basic concepts of securities through games, and the “Career Exploration Program,” where participants learn about the various kinds of jobs in the securities field. In 2018, a total of 9,595 participants joined in 181 youth program events. In the meantime, the Busan Securities Museum is scheduled to open in 2019. As a financial landmark integrating finance, culture and education, it is expected to help visitors acquire a better understanding of finance and create social value through customized financial education.

### “Dream Start” Financial Education

Through “Dream Start Education,” KSD’s visiting financial education program, we teach Dream Start\* children essential financial knowledge and the importance of the economy, helping them acquire a sound financial perspective. Professional financial educators visit Dream Start during school breaks and help children learn about finance through role-play, board games and other fun activities. Beginning in 2018, we started offering financial education to parents as well so that children can practice what they learned in Dream Start at home.

\*Dream Start: Comprehensive support service centers for children from vulnerable groups, established in 229 cities, counties and districts nationwide pursuant to the Child Welfare Act



Special Summer Camp at KSD Securities Museum



Dream Start Education

## Global Social Contribution Activities

### Korean Language Education to Expand the Financial Hallyu

In order to strengthen international cooperation in the capital market and spread the financial “hallyu” (Korean wave), KSD provides Korean language education in emerging developing countries with high growth potential in the financial market. Beginning with Indonesia in 2014 and followed by Vietnam in 2016 and Mongolia in 2017, we have provided Korean language education to 282 capital market professionals in developing countries. In addition, participants who complete the program with outstanding grades are offered the opportunity to visit Korea. In 2019, we plan to select one more emerging developing country in which to offer Korean language programs, while continuously expanding Korean language education to help create a Korea-friendly image in the financial market and foster global financial experts.

#### Status of Korean Language Education

(Unit: Persons)

Categorization	2016	2017	2018
Indonesia	-	25	25
Vietnam	25	34	33
Mongolia	-	50	50



Korean Language and Culture Course Completion Ceremony

### Reaching Out to the World through Global Sharing, Educational Environment Improvement Projects

KSD has launched its global sharing program in an effort to support the development of local communities in developing countries, as well as the growth and independence of socially vulnerable groups. In particular, we carry out educational environment improvement projects in developing countries to guarantee the human rights of children and their right to education in a safe educational environment and bring positive changes to local communities. In 2018, we funded the renovation of old indoor gym facilities and outdoor basketball courts at two schools located on the outskirts of Ulaanbaatar, Mongolia. We also painted fences inside schools as a volunteer activity with participants of the Korean language program and capital market specialists. In the first half of 2019, we remodeled a closed assembly hall into a multi-purpose indoor facility. In the second half, we plan to support the repair of old assembly halls in schools in Uzbekistan and the installation of necessary equipment.



Educational Environment Improvement Project in Mongolia



Remodeling a Closed Assembly Hall into a Multi-Purpose Indoor Facility

## Activities to Support the Socially Vulnerable

### Agricultural and Fishing Villages

In order to promote exchanges between cities and agricultural/fishing villages, we have been carrying out rural support programs since 2006. Forming partnerships with three villages, we have not only provided financial education to village residents, but also helped out during peak seasons, purchased agro-fishery products, participated in coastal clean-ups and provided support for village facilities. In 2018, we volunteered at two of our partner villages – one in Okgye-ri, Masan, Gyeongnam Province and one in Sangsan, Chungju.



Volunteering in Agricultural and Fishing Villages

#### Number of Exhibitions and Artwork Displayed



2018

**10** Exhibitions

**309** Pieces of Artwork

### KSD Gallery

KSD Gallery is an art exhibition space established with the objective of contributing to the development of the Korean culture and the arts sector. Each year, the Gallery holds exhibitions of various genres, including painting, photography and crafts, and runs art programs for exhibition visitors. The Gallery also supports artists by discovering up-and-coming talents and offering them the opportunity to exhibit their work. Visitors can experience various genres of art in the exhibitions.



KSD Gallery Exhibition

#### "Dream Come True" Scholarship

(Annual cumulative)

2018

KRW **347.3** million

**282** Persons

### Youth Sponsorship

KSD offers sponsorships to students and undergraduates to spread the values of the capital market and foster future financial experts. We select students who have excelled academically despite their challenging circumstances as "Dream Come True scholars" and provide scholarships of KRW 300,000 to 900,000 per quarter for elementary, middle school and high school students, and up to KRW 2 million per semester for undergraduates. We also run a "performance-based scholarship program" for vocational high school students, providing scholarships to students who receive top grades in economic and financial literacy certification exams. Through the big dreams and visions these programs present, we inspire students with the sense of achievement that comes from achieving a goal and support their growth into Korea's future experts in finance and the economy.

#### "Performance-based" Scholarship

2018

**355** Beneficiaries in

**39** Schools

KRW **220.4** million



KSD Dream Come True Scholarship Certificate Award Ceremony



Performance-Based Scholarship Certificate Award Ceremony

**Donations of Wheelchairs for Children with Disabilities**

2018  
**KRW 98 million**  
**51 Persons**

**Support for Dream Come True Stores**

2018  
**KRW 200 million**  
**309 Places**

**Support for Persons with Disabilities**

**Wheelchair Support Project for Disabled Children**

Since 2012, KSD has been donating wheelchairs nationwide to children and young adults with severe disabilities. The wheelchairs we donate are made specifically for children with disabilities and not only guarantee their right to mobility but also prevent them from developing physical distortions by helping them maintain good posture. Since launching the project, we have donated wheelchairs to 195 children with disabilities.



Wheelchair Donation Ceremony

**“Dream Come True Store” Project for Disabled Small-Business Owners**

Since 2015, KSD’s “Dream Come True Store” project has been supporting disabled small-business owners by improving their business environments. Through this project, the aim of which is to assist in the economic independence of beneficiaries and encourage them to actively engage in economic activities, we have helped open 49 Dream Come True Stores.

**BEST PRACTICE**

**Financial Leadership Camp**

In cooperation with KSD Nanum Foundation, KSD hosts the annual “Financial Leadership Camp” for children from socially vulnerable families, helping them grow into healthy members of society by providing financial knowledge and enjoyable cultural experiences. In 2018, we invited 75 children from low-income families in Busan to participate in the camp, which lasted two nights and three days. During the camp, the children took part in various participatory financial education programs, including the Finance Golden Bell Quiz and a financial product development project, and also participated in character-building workshops aimed at improving self-esteem. All told, participants enjoyed the opportunity to grow into future financial leaders with a healthy character and the right perspectives.

**42<sup>nd</sup> Dream Come True Store “Solael”**

KSD selected the coffee bean factory “Solael” as its 42nd Dream Come True Store. Located in Yongin, Gyeonggi Province, Solael is run by a CEO with chronic kidney disease and employees with developmental disabilities. KSD built a separate kitchen space inside the factory, installed air-conditioning/heating facilities and ventilation fans, and created a rest space for disabled employees who are prone to fatigue. The CEO of Solael thanked KSD for providing such great support and vowed to work harder to encourage “ethical consumption” and create more jobs for the disabled.



42nd Dream Come True Store: Before Improvements



42nd Dream Come True Store: After Improvements

# 05

## Creating Decent Jobs and Promoting Mutual Growth



### RISK & OPPORTUNITY

The government continues to focus on job creation in its governance by promoting and supporting public organizations' roles in creating jobs. It is also implementing policies and taking initiatives to pursue mutual growth. In line with these government policies, we must strengthen our roles to create jobs and social values, at the same time establishing a sound corporate ecosystem and laying the foundation for sustainable economic mutual growth with small- and medium-sized enterprises.

### OUR APPROACH

In line with government policies, we are involved in various projects in the private sector with the aim to build infrastructure, share and create quality jobs and social values. We also select partner companies through a fair bidding process and establish a foundation on which SMEs can grow by implementing various policies and activities for social enterprises and SMEs. Going forward, we will continue to work closely with SMEs to enhance their global competitiveness.

### KEY PERFORMANCE

**1,651** Persons  
Jobs Created

**KRW 750** million  
Raised for Busan Embrace Fund for Social Economic Development (BEF)

**Established**  
KSDream Co., Ltd.

\*As of 2018



## Creating Decent Jobs

The government encourages public organizations to contribute to job creation and the growth of local communities by emphasizing the importance of collaboration. At the same time, public organizations are required to fulfill their social responsibilities by invigorating the start-up ecosystem in the Innovative Growth Regions designated by the government. In this regard, we actively support the implementation of government policies by newly establishing a Job Creation Division and its Job Creation Plan. Furthermore, we return a certain portion of the profits we generate from corporations to start-ups with the aim of achieving our social value as a sound corporate citizen.

### Expanding Support for Job Creation

#### Creating Jobs in the Private Sector

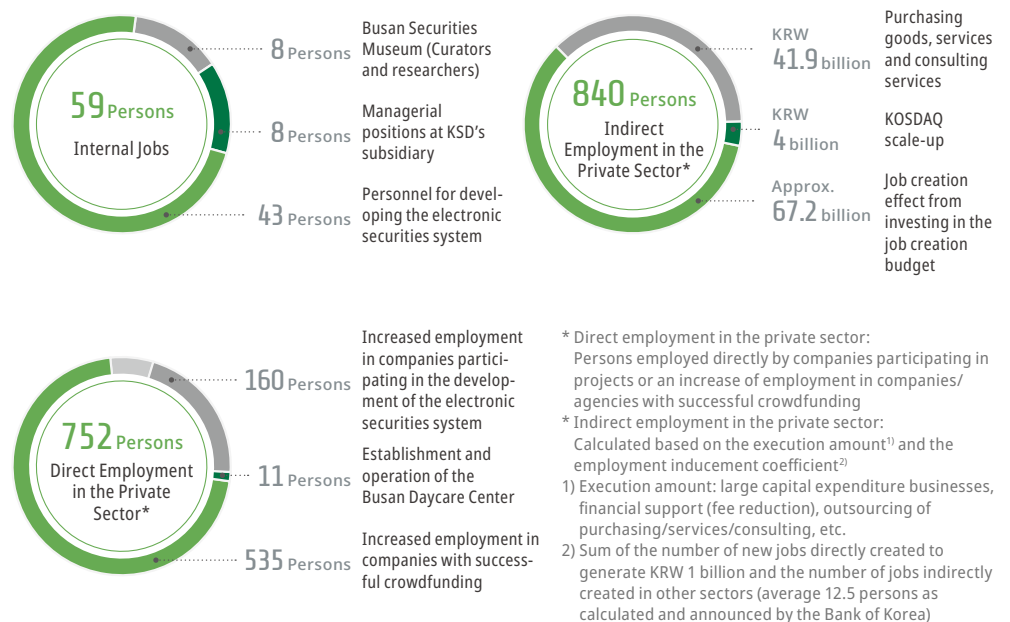
KSD both directly and indirectly creates jobs in the private sector by prioritizing mid- to long-term projects with high potential for job creation, such as developing the electronic securities system and establishing the Busan Securities Museum. We have also contributed to creating jobs in start-ups by actively supporting crowdfunding.

#### Specialized Projects Relating to KSD's Businesses

By reducing fees and providing financial education, KSD uses its intrinsic capacity as a public financial institution to spread a culture of job creation. With reductions in eight service fees (KRW 90 million in 2018) including securities agency fees, we have encouraged companies to participate in job creation. We also provide financial and economic education to 9,600 students in Seoul and Busan by selecting and training middle-aged lecturers such as retired teachers.

#### Direct and Indirect Job Creation Effect

Such efforts by KSD had the effect of creating 1,651 jobs in 2018. In recognition of its performance as a best practice case of job creation by a public institution, KSD was awarded the Commendation of the Minister of Education in the Job Creation Sector at the "2018 Korea Social Contribution Awards" and the Grand Prize in the Employment Stability Sector at the "2018 Job Creation Exemplary Management Prizes of Korea."

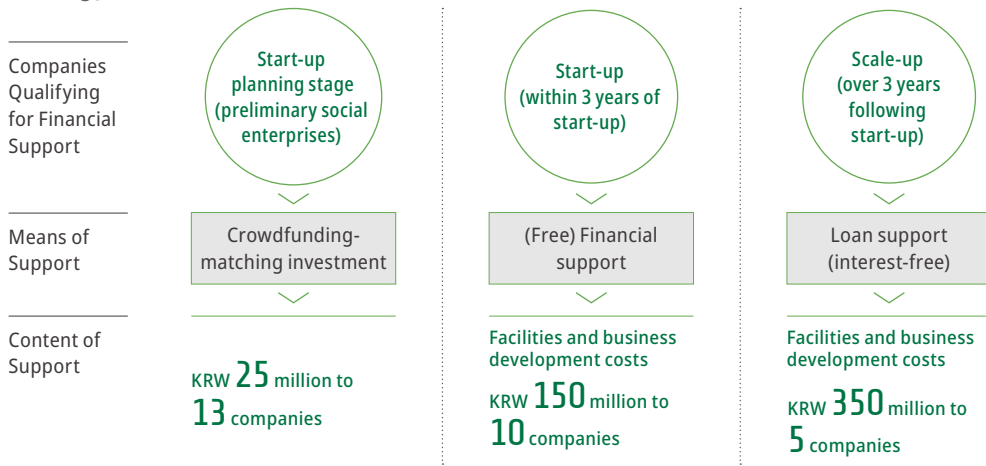


### Supporting the Development of Local Communities in Busan

KSD makes various efforts to invigorate the local economy and improve the environment in Busan. In 2018, based on proposals from the general public, we co-hosted a debate on creating jobs to revitalize the local economy in cooperation with six public institutions, including the Korea Asset Management Corporation, contributing to the establishment of a practical groundwork for regional cooperation projects. In addition, we raised KRW 750 million with Busan Embrace Fund for Social Economic Development (BEF), providing financial support for 28 social enterprises, and have plans to further expand the support fund. Furthermore, we selected Smart Farm as a business model for social enterprises in their preliminary stage that are looking to achieve economic independence and have cooperated with local governments to support the purchase of business facilities, from which we expect increases in sales and job creation.

#### Creating Joint Funds\*

\*Financial support (KRW 520 million), purchasing (KRW 86 million), business consulting, talent development projects (completed by 8 teams), etc.



#### Proposing a Successful Cooperation Model for Public Institutions to “Develop the Local Economy and Create Jobs”

2017	2018 (BEF 1 <sup>st</sup> Year)	2018 (BEF 2 <sup>nd</sup> Year)
<ul style="list-style-type: none"> <li>• Signed a public institution agreement with Busan Metropolitan government</li> <li>• Established the Business Plan for Cooperation Projects with Public Institutions</li> </ul> <p>Selected as “exemplary case of job creation in the public sector” by the Presidential Committee on Jobs (December 2017)</p>	<ul style="list-style-type: none"> <li>• Creation of 61 jobs in social enterprises in Busan (319 jobs in 2017 → 380 jobs in 2018)</li> </ul> <p>“Busan Innovation City BEF Model” selected and promoted by the Presidential Committee on Jobs as a best practice case of job creation and regional development by a public institution</p>	<ul style="list-style-type: none"> <li>• Expanded BEF by KRW 1.04 billion</li> </ul> <p>Cumulative amount of KRW 1.79 billion with the goal KRW 5 billion in funding by 2022</p>

#### KSD Accelerating Program

- Support expansion into the global market
- Provide specialized region/industry-specific programs
- Support workspaces
- Focus start-up support on regions outside Metropolitan areas
- Provide support in conjunction with investments
- Provide support in conjunction with crowdfunding

#### Support for the Creation of an Innovative Start-up Environment

In line with the government’s innovative growth policy, KSD has contributed to the promotion of a regional ecosystem for start-ups. We have also signed private-public joint co-working space\* business agreements with seven institutions in Busan, including Busan Metropolitan City, in addition to discovering promising start-up companies and actively supporting their growth. In order to create a dynamic environment for start-ups through a combination of workspaces, networks and investment, we established KSD Accelerating Solutions in 2019. Through this program, we plan to provide a comprehensive support system to help innovative start-up companies thrive. It is a specialized program tailored to the industrial and regional characteristics of start-ups, with contents specifically created to provide workspace, network and investment support. In the future, we will continue to create social value by returning a certain portion of our profits from companies back to society.

\* Busan private-public joint co-working space: Space provided by KSD in which programs are jointly operated by participating institutions

## Win-Win Management

KSD pursues mutual growth with SMEs and social values by carrying out a variety of activities to support social enterprises and SMEs, including funding the business activities of SMEs and venture companies.

### Selecting Sustainable Business Partners

In selecting sustainable business partners, KSD closely reviews the financial stability, credit rating, quality and general delivery history of candidate companies. We also conduct annual transparency surveys of partners to inspect their transparency and identify any cases of corruption. Partners are required to sign transparency and fair transaction pledges as attachments to bidding or contracting documents. When this requirement is not met, bidding results are revoked, contracts are terminated or eligibility to participate in bidding is restricted.

### Supporting Social Enterprises

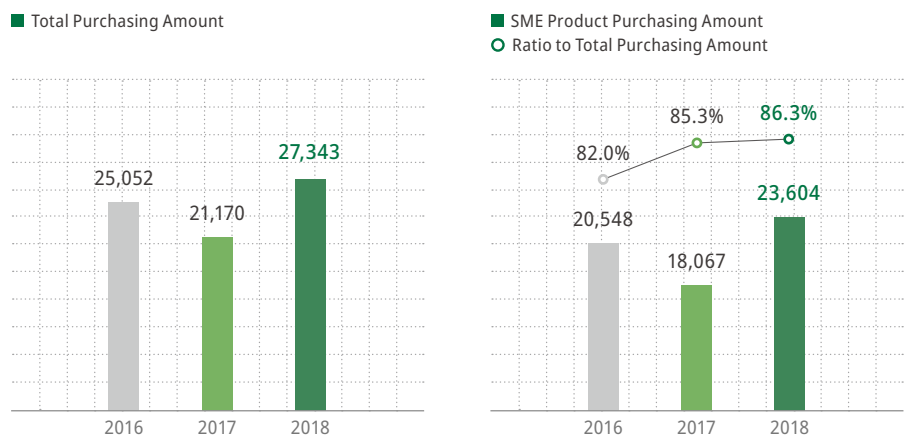
KSD discovers and implements policies that actually help social enterprises, such as fee reductions, priority purchasing and crowdfunding support. We are supporting cost reductions for social enterprises by extending our five-year fee reduction for eight kinds of service fees\*, including securities agent fees, and engaging in the priority purchase of products made by social enterprises. In addition, we have contributed KRW 2.5 billion to a social investment fund created to assist the growth of social enterprises. Other efforts include opening up an exclusive section for social enterprises on CrowdNet and using this channel to provide financial support for social enterprises that have succeeded in crowdfunding.

\*Securities agent, bond registration, electronic short-term bond issuance, electronic voting management, electronic proxy, information use, LEI, overseas securities management fees, etc.

### Supporting the Business Management Activities of SMEs

KSD intends to strengthen its network to discover promising SMEs and increase the SME product purchasing rate as much as possible. Through these activities, in conjunction with the BIFC Management Committee, Contract Affairs Advisory Council, Public Purchasing Policy Council of Busan Metropolitan City, and public purchasing consultation meetings, we are discovering and promoting outstanding SMEs in the region. In 2018, our SME product purchasing rate marked 86.3% as a result of our efforts to prioritize the purchasing of SME products. For three consecutive years, our SME product purchasing rate has exceeded 80%. In addition, we hold conferences with SMEs on a regular basis to collate business proposals for mutual growth and play a monitoring role for any unfair work instructions or acts of corruption in contract-related affairs.

SME Product Purchasing Status (Unit: KRW million)



### Providing Financing Support for SMEs and Venture Companies

In an effort to create a sustainable driving force for SMEs and venture companies, we provide support for direct and indirect financing by holding IR events and introductory sessions on crowdfunding. Since 2017, we have hosted the “KSD IR Workshop & Concert” to support companies that have succeeded in crowdfunding, helping them to strengthen their IR capacity and attract further investments.



1<sup>st</sup> Anniversary of the Crowdfunding Council



5<sup>th</sup> KSD IR Concert

### Promoting Local Start-ups and Venture Companies

KSD actively promotes joint securities-based crowdfunding projects in association with local governments and start-up support institutions nationwide for start-ups and venture companies in Korea. Notably, we have successfully hosted the “Busan Crowdfunding Road Show” which aims to support the start-up ecosystem in Busan.

### Guaranteeing the Rights of Companies to Participate in Bidding

We have revised our internal guidelines so that companies that participate in bidding but fail to attend a proposal presentation—which was previously regarded as a withdrawal of the bid - are allowed to submit a written proposal in lieu of attending the proposal presentation, albeit with a deduction of points. This revision guarantees the rights of other bidders as much as possible while facilitating fair competition by allowing companies that are unable to attend a proposal presentation for unavoidable reasons to continue to participate in bidding with a deduction of points for non-attendance.

#### BEST PRACTICE ▶

##### Transitioning Service Workers to Permanent Employees through KSDREAM Co., Ltd.

In line with the government policy to transition non-permanent workers in the public sector to permanent employment, KSD established KSDREAM Co., Ltd., and converted its indirectly employed non-permanent workers into permanent employees. We expect enhanced productivity and quality of public services due to increased motivation and organizational unity among employees. Furthermore, we have thoroughly discussed relevant issues with labor relations experts through the Stakeholder Conference\* we organized for employment stability, and improved treatment and quality of work for service workers. We are considered a best practice case as the first financial public institution to establish a subsidiary to transition non-permanent workers to permanent employment.

\*Composed of 9 employee representatives 4 employer representatives and 2 outside experts

SUSTAINABLE MANAGEMENT 06

06

# Establishing Green Finance Infrastructure



## RISK & OPPORTUNITY

As the global community faces various environmental issues, such as fine dust and climate change, countries around the world are strengthening environmental regulations while establishing low-carbon policies and related measures. The Korean government has established “green growth” as a national strategy to respond to the climate crisis, mitigate environmental damage and secure a growth engine for environmentally-friendly technologies.

## OUR APPROACH

By participating in the Forest Carbon Offset Project and constructing low-carbon financial infrastructure, Korea Securities Depository (KSD) is actively taking part in global efforts to respond to climate change. We are also making various efforts toward the effective use of limited resources and the preservation of resources that are available. We will continue to work at the company level to minimize environmental impact by undertaking eco-friendly management activities.

## KEY PERFORMANCE



\*As of 2018

## Implementing Eco-Friendly Management at the Company Level

As a green financial institution supporting Korea's entry into the group of "green developed countries," KSD actively participates in the government's low-carbon, green-growth policies and supports the development of the Korean financial industry and economy by responding to climate change and pursuing green finance.

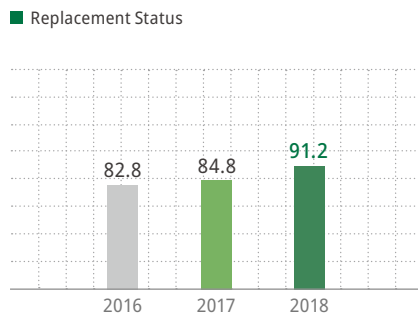
### Establishing a Green Office to Reduce Greenhouse Gases

In 2018, KSD reduced the company's greenhouse gas (GHG) emissions by 18.6% more than the BAU level through efforts such as replacing office lighting with LED lights and installing double-glazed windows. In addition, we are undertaking various energy-saving initiatives such as designating an energy saving manager and conducting energy saving training and campaigns. Other efforts include "green purchasing," prioritizing the purchasing of green products such as eco-friendly paper.

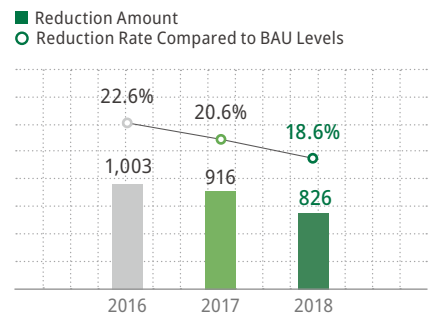
### Strengthening Low-Carbon, Green Financial Infrastructure

KSD contributes to building green financial infrastructure through various projects. With the implementation of the electronic securities system and the abolishment of paper securities, we expect issuing companies to save approximately KRW 600 million on costs of printing physical securities and investors to save KRW 5.2 billion in storage costs during the next five years. In addition, the electronic voting system helps reduce the amount of paper consumed for shareholder notice letters and ballots used at general shareholders' meetings and minimizes the use of transportation to attend meetings. Through these measures, we strive to both directly and indirectly reduce the emission of greenhouse gases. Recognizing that low-carbon green growth is a survival strategy in the face of global climate change, we will continue to make further efforts in the future to strengthen green finance.

LED Light Replacement (Compared to Total Existing Lighting) (Unit: KRW million)



Greenhouse Gas Reduction Status (Compared to BAU Levels\*) (Unit: tCO<sub>2</sub>, %)



\*Average Emission Amount for 3 Years from 2006 to 2008

## BUSINESS CASE ▶

### Forest Carbon Offset Project

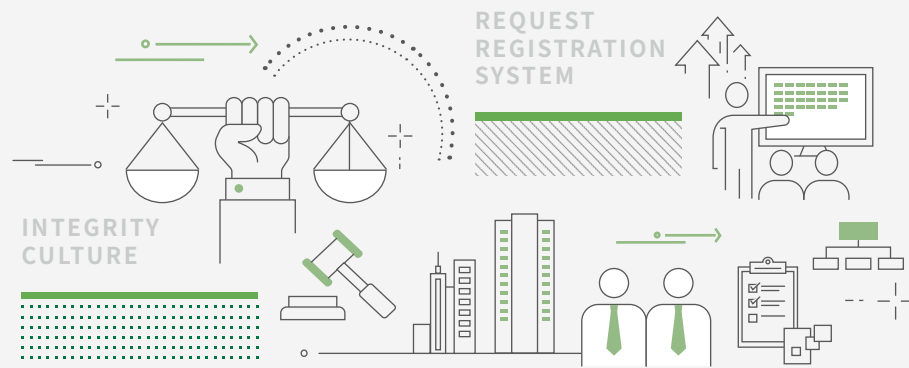
The Forest Carbon Offset Project promotes the carbon uptake of forests through the voluntary participation of public institutions, private organizations, companies, and the general public. The Korea Forest Service (KFS), using objective and transparent procedures, certifies the carbon dioxide uptake achieved through corporate efforts such as forest-building. In 2012, we signed an MOU with KFS and Pyeongchang-gun to build a birch forest covering 24,462m<sup>2</sup> of land, and obtained the first KFS forest carbon absorption certification in 2017. In 2018, we built a meditation forest spanning 550m<sup>2</sup> at Busan Gaesung High School, which is expected to attribute approximately five tons of carbon absorption to KSD for 10 years. In the first half of 2019, we planted Chinese fringe trees and Japanese cornelian cherry trees and built trails on a 630m<sup>2</sup> land on the Songjeong Middle School campus. In the second half of 2019, we will build a meditation forest in Keumjeong High School, creating a place of relaxation for the citizens of Busan and a space for emotional growth and ecological education for students. We will continue to expand the Forest Carbon Offset Project for a greener future.



Meditation Forest Completion Ceremony at Busan Gaesung High School

# 07

## Internalizing Ethical Management



### RISK & OPPORTUNITY

Externally, an international movement known as the Ethics Round is gaining momentum. This is an attempt to regulate the products and services of unethical companies. Internally, we highlight the importance of integrity and the ethical responsibilities of public institutions. As ethical management is an area regulated by laws and institutions, as well as a factor with direct impact on a company's image and its sustainability management, it is essential for companies to manage risks related to ethical management.

### OUR APPROACH

Korea Securities Depository (KSD) plays a leading role in implementing ethical and compliance management by establishing an advanced ethical management system, spreading a culture of anti-corruption and integrity, and devising measures to root out "gapjil" (power-based) harassment. We strive to secure the trust of our stakeholders by internalizing ethical awareness throughout the company through the operation of an integrity cluster and an ethical ombudsman system, the provision of ethical training to our employees on a continuous basis and the strengthening of activities to help them put into practice what they have learned.

### KEY PERFORMANCE

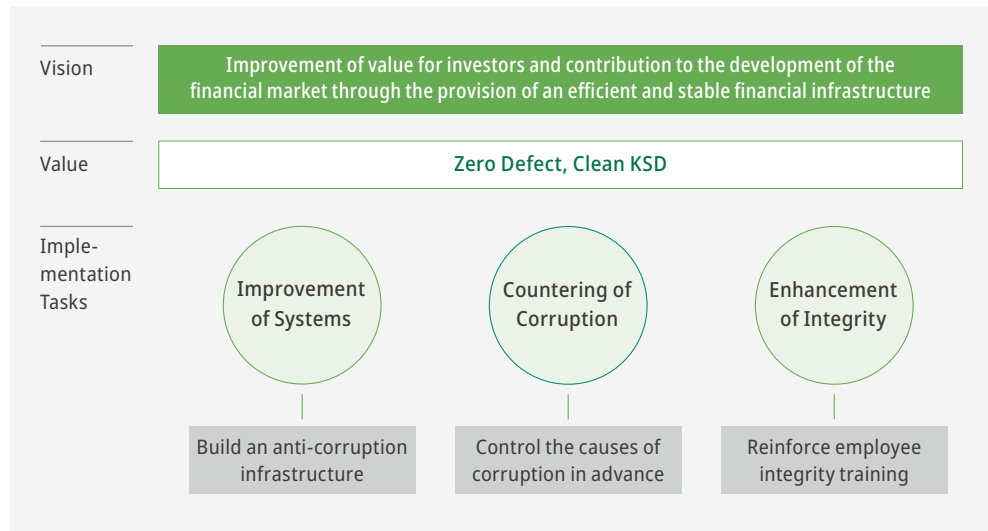


## Ethical Management System

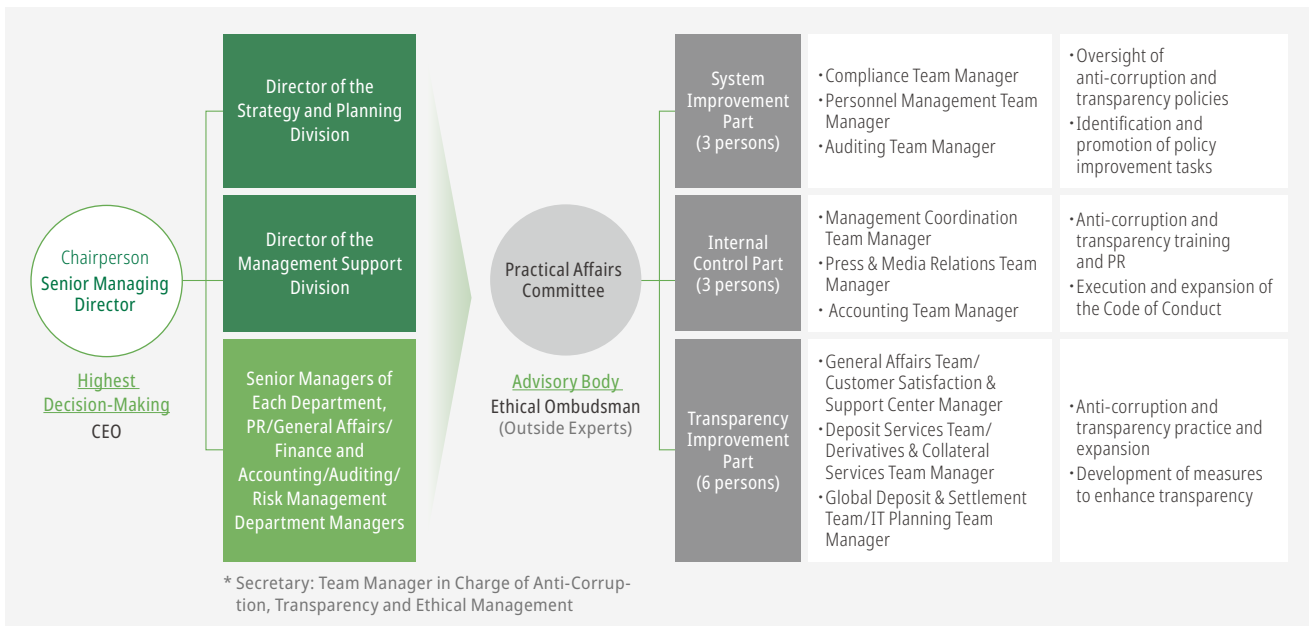
In order to turn our ethical management activities into a firmly rooted corporate culture, we are fulfilling our responsibilities as an ethical financial company by realizing our ethical management vision of “Zero Defect, Clean KSD,” based on the following three major tasks and values.

### Ethical Management Governance

With the CEO playing a central role, KSD operates the Anti-Corruption-Transparency-Ethical Management Committee. In addition, we systematically carry out ethical management activities that align with our business characteristics by operating the Practical Affairs Committee, which consists of the major departments in charge and an external advisory body.



### Anti-Corruption, Transparency and Ethical Management Committee





### Compliance with Ethical Norms

KSD has established an Ethics Code as the foundation of its transparent and ethical corporate culture. It includes the Ethics Charter and the Code of Conduct, as well as detailed ethical standards for operating regulations. Our Ethical Management Principles, consisting of corporate ethical principles and job-related ethical principles, provide detailed ethical standards at the enterprise level by specifying the targets of ethical management.

#### Ethical Norms



### Enhancing Anti-Corruption and Integrity Capabilities at the Company Level

In order to establish a culture of fair and transparent job performance, we have reinforced anti-corruption policies and infrastructure, in addition to undertaking various activities including integrity training to raise the anti-corruption and integrity awareness of our employees.

#### An Integrity Cluster to Lead a Culture of Integrity

We operate an integrity cluster to lead in the creation of an integrity culture in Busan and to effectively implement anti-corruption and transparency policies. In particular, we regularly participate in integrity cluster meetings in Busan to share integrity policies and discuss relevant activities. At these meetings we establish plans and assign roles to participants in order to spread a culture of integrity in each institution. In 2019, we discussed various issues including our integrity policy implementation plans as well as areas vulnerable to corruption in each institution and improvement measures. Furthermore, we formed a consensus on anti-corruption issues and distributed leaflets as part of our street campaign aimed at spreading a culture of integrity throughout the local community.

#### Ethical Ombudsman System Strengthening Corporate Transparency

Since 2009, KSD has been operating an ethical ombudsman system to encourage whistleblowing and promote anti-corruption activities. KSD's ethical ombudsmen are outside experts in different fields with high integrity and moral standards. They monitor the transparency and fairness of our major businesses and areas vulnerable to corruption, and propose measures to improve relevant systems. There is one ethical ombudsman each in Busan and Seoul to handle grievance consultation work via phone and other means, as required. We also hold ethical ombudsman meetings on a quarterly basis, which are participated in by ethical management officers from each department.

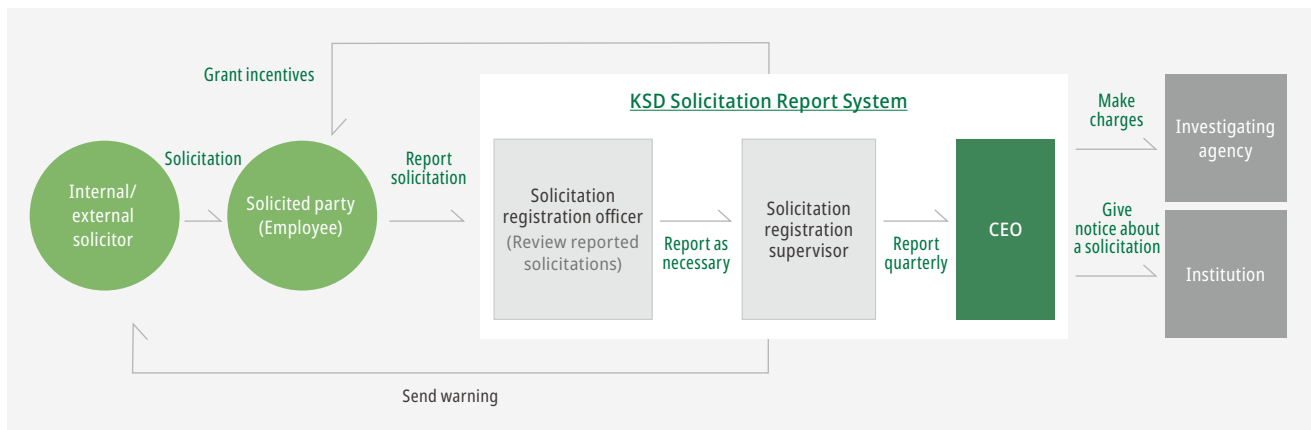


Street Campaign for Integrity

### Solicitation Reporting System

In 2012, KSD established the solicitation reporting system and the customer consultation/meeting registration system to implement integrity and anti-corruption policies that satisfy the ethical standards of its customers. The solicitation reporting system can be used by all employees to report unfair solicitations from internal and external parties, and guarantees the reporter's anonymity. The customer consultation/meeting registration system is used to report solicitations made during unofficial interviews or meetings with customers and under the system, personnel transfer and disciplinary actions are undertaken regarding reported cases verified to constitute regulatory violations.

### Solicitation Reporting Process



Anti-Corruption and Integrity Training for All Employees

### Spreading a Culture of Integrity in Organizations

In order to internalize a culture of integrity in each organization and enhance its credibility, KSD offers educational programs on integrity and has its employees sign a vocational integrity agreement. We provide anti-corruption and integrity training to all employees in order to enhance organizational transparency by raising their ethical awareness in addition to convening the Ethical Management Committee on a regular basis with the aim of practical execution of relevant policies and participation by upper-level employees. Moreover, we offer incentives to departments and officers in charge of ethics and anti-corruption duties, and motivate employees to participate in ethics activities through the ethical mileage program and the ethics certification program. In 2019, we introduced the vocational integrity agreement system whereby newly-appointed executives, including the CEO, auditors and managing directors, are required to sign an integrity agreement when signing their contract. By stipulating obligations of integrity as well as disadvantages in case of failure to fulfill such obligations, the vocational integrity agreement emphasizes the importance of ethical management by executives. Other efforts include providing customized education and training in ethics, whistleblower protection and welfare/subsidy fraud reporting, helping employees to internalize a sense of ethics.

### Sharing Best-Practice Cases of Anti-Corruption

KSD strengthens cooperation with relevant organizations and develops anti-corruption policies to share and expand best-practice cases of anti-corruption. In 2018, we operated various programs, such as a competition for best anti-corruption and integrity slogans, thereby encouraging our employees to take an interest and participate in ethical management at the company level. We have also participated in integrity clusters at public institutions in Busan where we actively engaged in spreading a culture of integrity, which included sharing reference materials and cooperating with ethics partners through business consulting. Further anti-corruption efforts also include devising and executing our own ethics policies based on best practice cases and points of improvement provided by the Anti-Corruption and Civil Rights Commission.

## Measures to Eliminate “Gapjil”

In order to root out and prevent “gapjil,” which refers to the unfair demands or actions made by people in socially or economically superior positions using their authority, KSD is engaged in a variety of activities such as establishing a reporting and monitoring system, and conducting voluntary inspections.

### Creating a Horizontal Culture through Anti-Gapjil Campaigns

We will create a social environment of mutual respect by promoting the government’s commitment to eliminating gapjil and related activities through booklets and our website. In March 2019, we uploaded the government’s “Guidelines for Eliminating Gapjil in Public Sectors” on our website, laying the foundation for our future efforts to root out gapjil.

### Gapjil Prevention Activities within KSD

We identify the causes of gapjil and eliminate the possibility of its occurrence by conducting voluntary inspections. In this regard, we examined a total of 172 VOCs received in 2018 and assessed the potential gapjil factors of customers. In addition, we have assigned staff in each department to take charge of gapjil elimination, identifying and inspecting potential factors for gapjil that may arise from internal regulations or business practices, as well as establishing measures to rectify areas that require improvement. Furthermore, we have organized a council of the staff in charge of gapjil elimination, which convenes on a regular basis to share relevant information and communicate. In 2019, the concept of gapjil and matters regarding its eradication were reflected in our Code of Conduct. Going forward, we will continue our efforts to strictly penalize perpetrators and strengthen measures to protect victims.

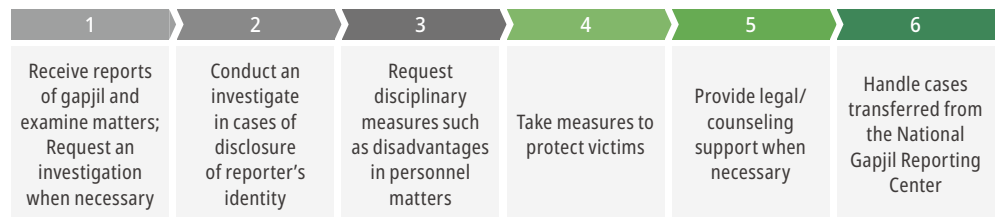
### Strengthening Communication with Customers to Eliminate Gapjil

Through communication channels participated in by customers, we examine matters that may come across as gapjil to our customers, opening our ears to their opinions and proposals. In 2018, we attended the Anti-Corruption and Integrity Customer Monitoring Meeting where we made a presentation on the government and KSD’s measures to eradicate gapjil and collected feedback from the participants.

### Establishing a Reporting System

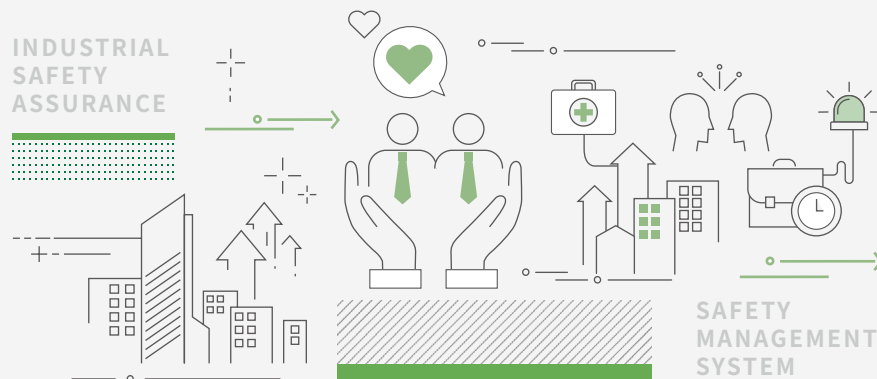
We established the “Gapjil Reporting and Support Center” to receive reports of gapjil and provide support to victims. With the Director of the Audit Department as the head of the Center, one team leader and one staff member have each been appointed to take charge of relevant matters, receiving reports and taking measures to protect victims/reporters. We have also created a reporting board on our website where anyone, including customers, can make reports of gapjil. Notably, we have assigned an organization and staff to oversee this reporting channel to facilitate better communication with other organizations concerning the reports made.

#### Gapjil Reporting and Support Center



## 08

## Creating a Safe Working Environment



### RISK & OPPORTUNITY

Industrial accidents may not only result in severe casualties but directly damage an entire company's reputation. In this light, companies must prevent various safety accidents and potential safety-related risks, such as earthquakes and fire, while minimizing damage by creating a safe working environment. Recently, the physical and mental impact of industrial accidents on employees working in close proximity to customers has surfaced as an important issue.

### OUR APPROACH

By establishing a systematic safety management system, Korea Securities Depository (KSD) protects the physical and mental health of its employees. In particular, we thoroughly manage the safety of our facilities in order to prevent any safety accidents while providing mental health protection programs to "emotional labor" workers at the forefront of customer service. In addition, we are internalizing a safety culture across the company, emphasizing the importance of safety management to our employees.

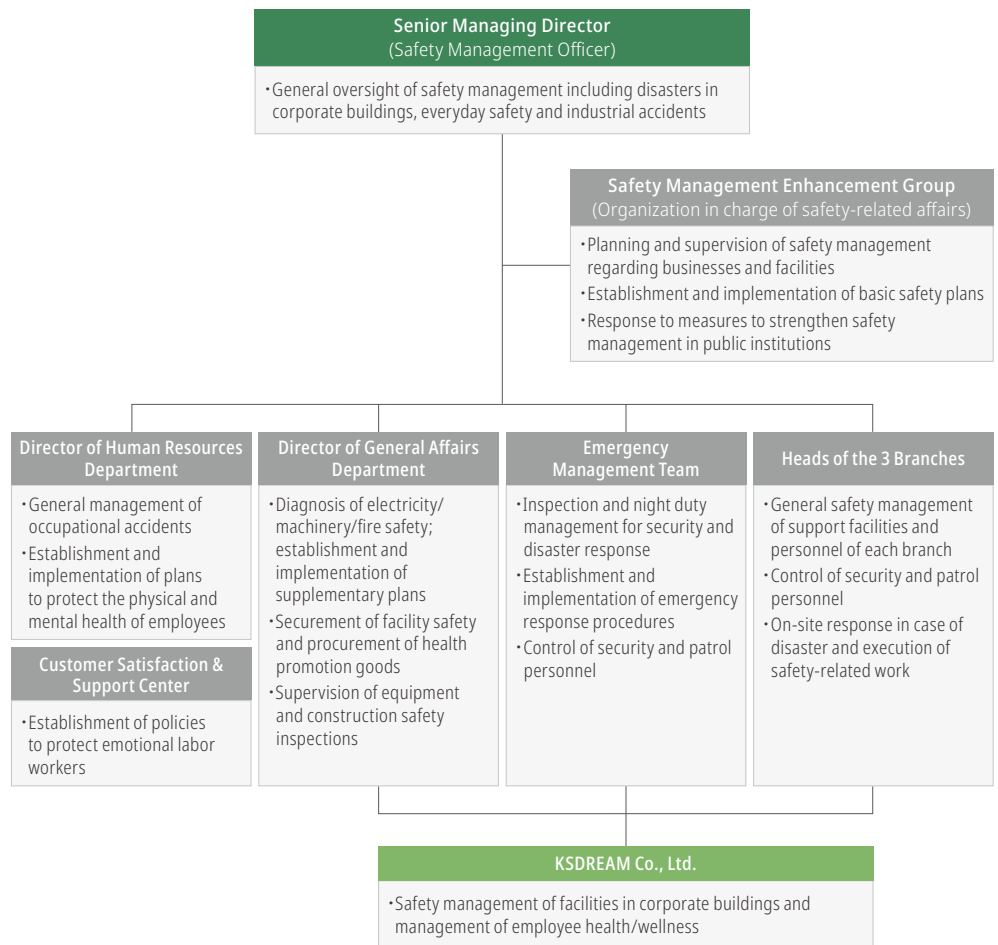
### KEY PERFORMANCE



## Safety Management

As the number of safety-related accidents increases both inside and outside Korea, it is now essential for companies to have an effective system for preventing and responding to disasters and accidents. Because of this, we have established a proactive, preventive and fundamental safety management system with the goal of achieving a “Zero Accident, Safe KSD.”

### Safety Management System



### Establishing a Comprehensive Safety Management System

In accordance with the government’s “Comprehensive Plans to Strengthen the Safety of Public Institutions,” KSD has recently established an organization exclusively in charge of safety management to oversee the planning and control of safety management relating to our businesses and facilities. In addition, we have established and operate the “Safety Management Committee,” a deliberative body for safety management participated in not only by the safety management officer and employees of KSD but also those of our subsidiary. In the future, we plan to improve the contract management system by, for instance, reinforcing the safety management evaluation of our business partners. In addition, we will impose penalties in the form of point reductions to companies that continuously violate safety-related laws and regulations, thereby restricting companies with a history of serious accidents from qualifying as bidders. Furthermore, we have made safety evaluation a mandatory process in selecting successful bidders by taking into consideration their accident rate and accident prevention activities.

\*Search for harmful/risk factors at work sites and facilities → Determine the level of risk → Take voluntary preventive measures

### Advancing the Safety Management of Facilities

KSD thoroughly manages the safety of its facilities through regular safety inspections and voluntary inspections of its major safety facilities. In particular, we carry out separate safety inspections at certain facilities to prevent damage from storms and floods. Recently, we established the “Comprehensive Disaster Prevention Plan 2019,” which includes measures against fire, storms, floods, power failure and earthquakes. In addition, we have blocked possible sources of disasters by undertaking risk assessments at our work sites\* and constructing new computer centers in Busan and Ilsan to strengthen safety and disaster prevention measures in the design stage. Through these systematic efforts, we were able to fully prevent safety accidents and achieve “zero” industrial and safety accidents in 2018, just as we did in 2017.

### Number of Industrial and Safety Accidents

(Unit: Persons)

Categorization		2016	2017	2018
Industrial Accidents	Number of Deaths	0	0	0
Safety Accidents	Number of Deaths	0	0	0

\*Article 10 of the Guiding Principles on Human Rights Management (Guarantee of Industrial Safety)  
The company shall provide workers with a safe and hygienic working environment and guarantee the safety of all employees, including vulnerable workers such as pregnant women and the disabled.

### Strengthening Employee Safety and Health Measures

In order to minimize the possibility of industrial accidents having physical and psychological impacts on our employees, we have established the Guiding Principles of Human Rights Management, which include the “guarantee of industrial safety\*,” and introduced a suspension of work request to protect workers at risk. In addition, we provide a comprehensive support process to protect mental health and emotional stability of customer-facing employees, and support effective work by preventing health disorders and providing psychological counseling.

### Enhancing Safety Awareness through Educational and Promotional Activities

In order to spread a culture of safety throughout the company, we provide customized safety education tailored to job tasks and strengthen our employees’ ability to respond to risks by conducting disaster prevention training, fire drills and earthquake evacuation drills. In addition, we continue to raise safety awareness among our employees by operating an internal proposal system that promotes the safety of our business facilities and employees.

### Safety Management at KSD’s Subsidiary

We are strengthening safety and health education and safety management not only for our own employees but also for the employees of our subsidiary. We include the work environment of our subsidiary in the scope of our risk assessments and recommend that our subsidiary establish measures enabling employees to request a suspension of work from their supervisors. In addition, we provide safety equipment to prevent safety accidents while closely monitoring our subsidiary’s safety status based on an internal safety management system.



Emergency Evacuation Drill

Human Rights  
Management System

Human Rights  
Impact Assessment  
Implementation and  
Mitigation Action

Creating a Work  
Environment that  
Considers Human Rights

Creating Stakeholder  
Human Rights Value



**SUSTAINABLE MANAGEMENT**

# KOREA SECURITIES DEPOSITORY HUMAN RIGHTS

## SUSTAINABLE MANAGEMENT

## Implement People-oriented Management and Protecting Human Rights



### RISK & OPPORTUNITY

The international community, including the United Nations, emphasizes the importance of nations' duties to support businesses in fulfilling their corporate responsibilities to respect human rights. Against this backdrop, developed countries such as the United States and Germany have established National Action Plans (NAPs) on businesses and human rights. In Korea, as human rights issues are raised in the corporate environment, a social consensus is being formed on businesses' responsibilities to protect human rights. The Korean government announced its own NAP on human rights in 2018, setting goals to institutionalize human rights management and damage relief. Amid these domestic and global trends, public institutions in particular, require higher levels of human rights protection and respect than private enterprises.

### OUR APPROACH

As a comprehensive securities service provider contributing to the development of the capital market by providing convenient and safe financial investment infrastructure, Korea Securities Depository (KSD) strives to implement human rights management that regards people as the highest priority in all of its management activities. We make various efforts to implement human rights management by establishing an implementation system, conducting human rights impact assessments and undertaking activities to prevent potential damage from human rights violations.

### KEY PERFORMANCE

**4.91%**

Ratio of female managers

Conducted human rights due diligence on 3 business partners

**2,116** Hours

Participation in sexual harassment prevention training

\*As of 2018



## Human Rights Management System

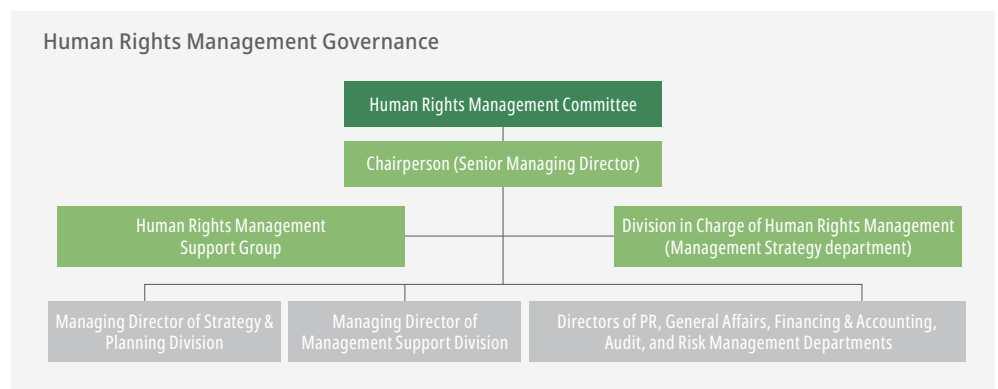
KSD has established a human rights management governance to systematically pursue human rights management in all of its business activities in addition to other strategies to realize the value of human rights by providing human-centered services.

### Human Rights Policies

KSD strictly complies with all human rights protection laws and endorses international standards and principles on human rights and labor, including the United Nations (UN) Universal Declaration of Human Rights, the International Labour Organization (ILO) Conventions and the UN Guiding Principles of Businesses and Human Rights. As a comprehensive securities provider contributing to the sound development of the capital market, we actively implement human rights management that places people as our utmost priority in all business activities. In 2019, we established the “KSD Declaration of Human Rights Management” and the “KSD Guiding Principles of Human Rights Management” to act as standards, applying to all stakeholders, including employees, customers, business partners (suppliers and subsidiaries) and local communities, so that all employees are able to decide what is right and make value judgments.

### Human Rights Governance

To implement human rights management in a systematic manner, KSD has established the Human Rights Management Committee and a governance system. The Human Rights Management Committee, the decision-making body at the company level for human rights management, is composed of the Senior Managing Director as the chairperson as well as heads of relevant divisions and departments. In addition, we operate a division in charge of human rights management affairs to ensure professional and effective implementation of human rights management. Responsibilities of the division in charge include establishing and implementing the KSD Basic Plan on Human Rights Management, conducting human rights training, executing human rights impact assessments, receiving reports and investigating cases of human rights violation, and providing administrative support to the Human Rights Management Committee. Furthermore, we have organized the Human Rights Management Support Group which shares KSD’s human rights management activities and collects feedback.



### BEST PRACTICE ▶

#### Human Rights Management Declaration Ceremony

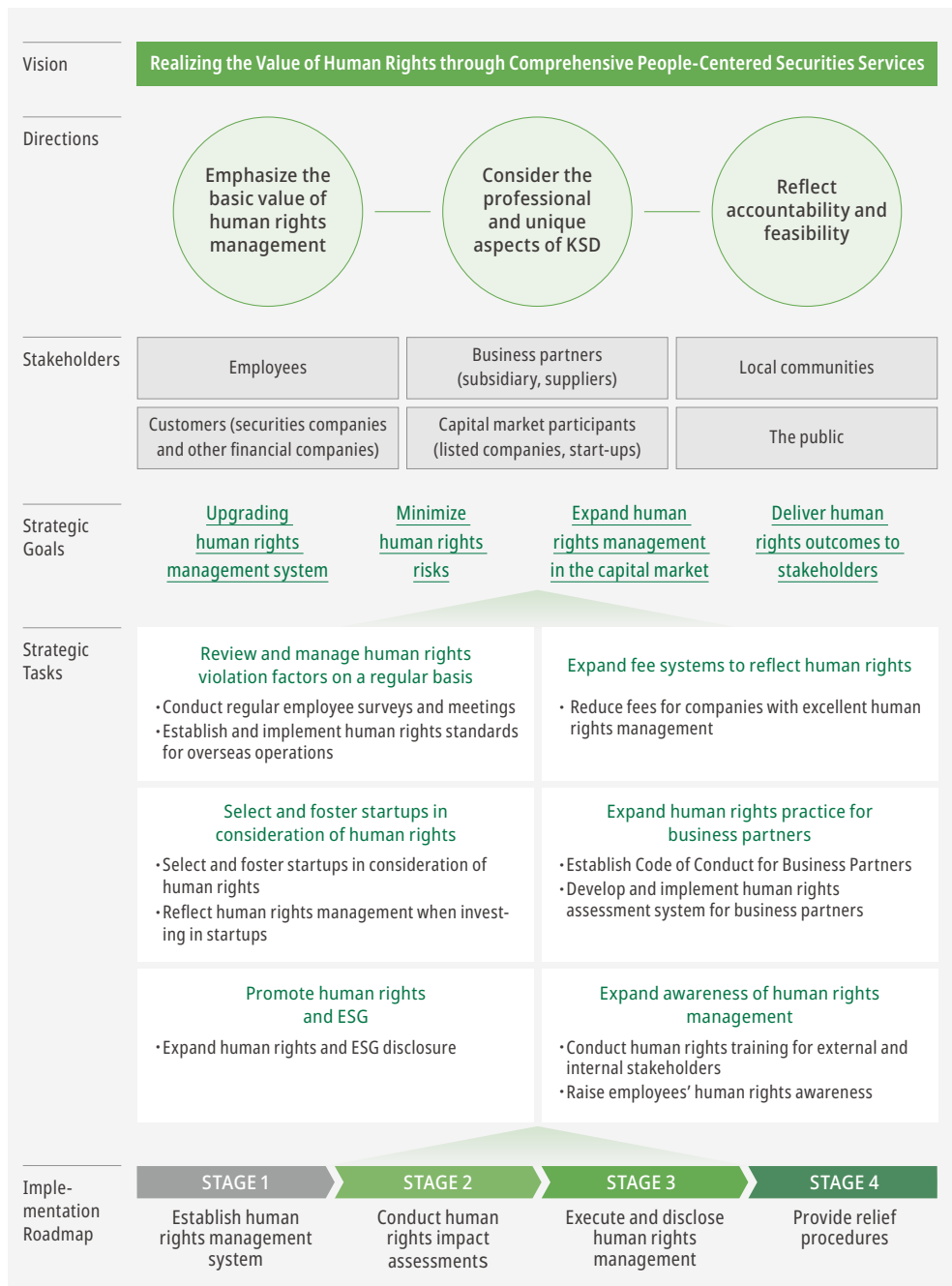
In August 2019, KSD held the “Human Rights Management Declaration Ceremony,” attended by its employees, labor union and relevant personnel from its subsidiary, to declare its commitment to implementing human rights management. The KSD Declaration of Human Rights Management was read at the ceremony and employees took the pledge in demonstration of KSD’s commitment to human rights management. Internally, we will further expand our efforts in this area and externally we will undertake various activities to respect and protect the human rights of relevant people in securities companies and other client companies.



Human Rights Management Declaration Ceremony

### Human Rights Management Implementation Strategy

We have established a strategy for the systematic promotion of human rights under the vision of 'realizing human rights through human-oriented comprehensive securities services,' and will focus on the basic value of human rights management, consider KSD's expertise and specialty, and reflect accountability and feasibility. In addition, we identified key strategic tasks based on the three strategic directions, and established the Comprehensive Human Rights Management Plan to secure the effectiveness and driving force of human rights management. Based on this, we will continue to promote human rights management from the mid- to long-term perspective, while internalizing the tasks to create human rights value for stakeholders.



## Human Rights Impact Assessment and Mitigation Actions

Based on the "Human Rights Management Manual for Public Organizations" of the National Human Rights Commission, we have created a human rights impact assessment checklist that reflects business characteristics. In addition, we conducted human rights due diligence and assessment based on the OECD Due Diligence Guidance for Responsible Business Conduct on business partners to prevent violations of human rights.

### Human Rights Impact Assessment

We undergo a human rights impact assessment on a yearly basis in order to evaluate factors of human rights violations in our business activities and manage risks in advance. For the human rights impact assessment, we examined the implementation status of human rights management in major divisions based on a checklist, and conducted surveys, due diligence, meetings and interviews with groups of people potentially at risk of human rights violations in KSD's value chains. Through these measures, we identified potential human rights issues regarding our employees, business partners and local communities, and carried out various prevention activities. In the future, we will disclose information on the implementation status in a transparent manner.

Categorization	Methods of Human Rights Impact Assessment	Implementation Status	Potential Human Rights Impact	Improvement Plan
Employees (Labor Union)	Employee Survey	<ul style="list-style-type: none"> <li>Conducted survey between July 17-26, 2019</li> <li>Participated in by 73% of all employees</li> </ul>	<ul style="list-style-type: none"> <li>Damage to mental health caused by relationships with client or colleagues</li> <li>Verbal violence between employees</li> <li>Unfair demands from client</li> <li>Acts of discrimination in hiring, job rotation, promotion and compensation based on gender, regional ties or alumni connections</li> <li>Frequent and unnecessary overtime work</li> </ul>	<ul style="list-style-type: none"> <li>Examine employment rules and revise human rights-related regulations through amendments</li> <li>Operate grievance-handling system and strengthen promotional activities</li> </ul>
	Meetings	<ul style="list-style-type: none"> <li>Held meetings with labor union and socially vulnerable groups</li> </ul>	<ul style="list-style-type: none"> <li>Diffusion of channels for reporting human rights violations and grievances</li> </ul>	<ul style="list-style-type: none"> <li>Promote Human Rights Grievance Center</li> <li>Operate ethical/human rights ombudsman system</li> </ul>
Business Partners (Suppliers and Subsidiaries)	Due Diligence	<ul style="list-style-type: none"> <li>Developed human rights management evaluation index for business partners</li> <li>Conducted human rights due diligence in KSDREAM (subsidiary) and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate internal regulations of business partners regarding the hiring of juvenile workers</li> <li>Inadequate activities by business partners regarding ethical management</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen human rights management by establishing the Code of Conduct for Business Partners</li> <li>Support business partners' revision of employment rules</li> </ul>
Local Communities	Due Diligence	<ul style="list-style-type: none"> <li>Conducted human rights due diligence in KSD Nanum Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate activities by KSD Nanum Foundation regarding ethical management</li> <li>Necessity of managing operational risks in social contribution enterprises</li> </ul>	<ul style="list-style-type: none"> <li>Support KSD Nanum Foundation to conduct ethical training</li> <li>Establish a human rights risk assessment system for social contribution enterprises</li> </ul>

### Human Rights Impact Assessment on Major Businesses

In addition to identifying potential human rights violations that may occur during the implementation of the project, we have conducted human rights impact assessments for major projects to expand the value of human rights in the capital market. Human rights impact assessments were conducted in all areas of the KSD, including issuing market support, distribution market support, asset management support, securities financing services, and global services. Human rights impacts were assessed as positive or negative. Stakeholder impact was assessed by the business touchpoint, stakeholder size and social impact. Strategic importance was evaluated by considering the financial contribution of the business unit and the direction of the mid- to long-term strategy.

Categorization	Human Rights Assessment Methods	Potential Human Rights Impact	Improvement Plan
Primary Market Services	Human rights impact analysis of major businesses considering stakeholder impact and strategic importance	<ul style="list-style-type: none"> <li>Carry out activities to expand human rights management in the capital market, thereby contributing to a reduction in human rights violations by issuing companies related to labor rights, industrial safety and environmental rights</li> <li>No negative human rights impact</li> </ul>	<ul style="list-style-type: none"> <li>Develop and utilize human rights educational content for start-ups</li> </ul>
Secondary Market Services		<ul style="list-style-type: none"> <li>Contribute to the human rights management of issuers through activities to promote human rights management in the capital market</li> <li>Contribute to promoting the public disclosure of human rights management information by listed companies through the provision of ESG*-related information</li> <li>No negative human rights impact</li> </ul>	<ul style="list-style-type: none"> <li>Develop and apply fee deliberation guidelines reflecting human rights factors</li> <li>Strengthen public disclosure of ESG-related information</li> </ul>
Asset Management Support Services		<ul style="list-style-type: none"> <li>Possibility of leakage of customers' personal information due to willful misconduct or negligence of companies issuing fund reports</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular security inspections, destroy personal information immediately after use, prevent leakage of personal information through regular staff training</li> </ul>
Global Services		<ul style="list-style-type: none"> <li>Possibility of human rights violations in local communities in which KSD's global businesses operate</li> </ul>	<ul style="list-style-type: none"> <li>Establish human rights management guidelines for global businesses</li> <li>Develop and utilize human rights training contents</li> </ul>
Others (Establishment of Museum and IT Center)		<ul style="list-style-type: none"> <li>Violations of property rights in local communities due to the construction of IT Centers</li> <li>Possible damage to the safety and health of construction workers</li> </ul>	<ul style="list-style-type: none"> <li>Carry out activities to prevent violations of the rights of local community residents including concert halls, stores and occupants</li> <li>Comply with maximum legal working hours (52 hours) for construction workers and operate air-conditioning on construction sites during heat waves</li> </ul>



## Creating a Work Environment That Takes Human Rights into Account

We are committed to creating a workplace free of human rights violations. While respecting and embracing diversity in the workplace, we prohibit any form of discrimination, provide a fair and reasonable wage and compensation system, raise awareness to promote maternity protection and a healthy work-life balance, and cooperation between labor and management as part of our efforts to protect and improve the human rights of our employees.

### Respect for Diversity

KSD prohibits all kinds of unfair discrimination based on gender, level of education and religion, and respects diversity in the workplace. As of 2018, male and female employees account for 72% (484 persons) and 28% (186 persons), respectively, and the number of persons with disabilities and veterans we employ exceeds that required by law.



### Fostering Female Talent

We are strengthening our fostering programs for female talent so that our female employees can grow into outstanding managers in a fair work environment that does not discriminate based on gender. We provide our female employees with various opportunities to grow their talent, including participation in the Women Leaders' Academy hosted by the Korea Institute for Gender Equality Promotion and Education at least twice a year. Through these efforts, the ratio of female managers has continued to increase, reaching 4.91% in 2018.

Categorization	Unit	2016	2017	2018
Female Manager Ratio	%	4.48	5.11	4.91

### Transparent and Fair Recruitment

KSD strictly prohibits all kinds of discrimination based on education, age and gender, and provides fair job opportunities by using a blind recruitment system. We also reinforce socially equitable recruitment that encompasses minority groups such as women and people with disabilities in order to respect the socially vulnerable and enhance diversity among our employees.

Our blind recruitment system is applied throughout the entire hiring process to ensure fairness. In the recruitment phase, we minimize information asymmetry by publicly disclosing detailed information on evaluation criteria and the size of the candidate pool. At the document review stage, all information irrelevant to the job is completely excluded and evaluations are made solely based on the candidates' ability to perform their job functions. In addition, we have increased the number of written test candidates by 40 to 80 times in order to provide more candidates with the opportunity to take the written test. Our blind recruitment system is strictly applied at the interview stage, meaning that candidates are called not by their names but their application numbers. In addition, we have ensured maximum fairness by increasing the ratio of external members on the recruitment committee. Furthermore, we have established a system to fundamentally prevent corruption in recruitment by stipulating the grounds for the withdrawal of a job offer, such as recruitment based on fraudulent misrepresentation, and establish concrete remedies for victims. In particular, we have made it mandatory that an auditor be present throughout the recruitment process and strengthened the supervisory system by storing recruitment documents permanently. Further efforts include attending conferences to share best practice cases of the blind recruitment system, thereby contributing to fair recruitment practices across society as a whole.

**Average starting salary**

KRW **45.53** million

**Starting salary as a percentage of minimum wage**

**241** %

**Fair Compensation**

Our compensation system is fair and rational, we apply differentiated remuneration according to level of expertise, intensity of work, and the responsibilities that an employee's duties entail. Employee compensation consists of only a base salary and incentives, which are based on performance evaluations, so as to motivate employees and enhance management efficiency. Employee compensation exceeds the legal minimum wage by 241% for a newly recruited permanent employee in 2018. There is no discrimination between male and female employees in regards to salary.

**Maternity Protection Activities**

KSD offers nursing rooms and rest areas for pregnant women in support of female employees who are pregnant or raising children. We also provide leave for prenatal exams and infertility treatments in addition to basic childcare leave. Furthermore, we actively support the government's policies to promote childbirth by supporting child immunization fees, thereby lowering the economic burden on employees who are raising families. Finally, we help our employees find a balance between work and family by running three daycare centers at the Busan headquarters and Seoul office, with plans to continuously expand the capacity of each center.

We revised HR-related regulations in 2019, abolishing the limit on childcare leave for male employees, putting them on equal footing with female employees, in addition to increasing the length of spousal leave to 10 days. Moreover, we revised relevant policies to allow female employees during their entire pregnancy to reduce working hours by two hours per day, in order to expand maternity protection for pregnant employees. Furthermore, we have introduced a policy that allows any employee with a child in the first year of elementary school to come to work at 10 am for one month in March, at their request.

Categorization	Unit	2016	2017	2018
Number of employees using maternity leave	Persons	5	5	12
Number of employees using childcare leave	Persons	15	5	4
Number of employees returning to work after childcare leave	Persons	11	8	2
Number of employees in post for at least one year after returning to work	Persons	6	6	2

**Improving the Working Environment for a Better Work-Life Balance**

We strive to create a sound working environment in which our employees can enhance the quality of their lives by finding a balance between work and life. Notably, prior to the company-wide implementation of the 52-hour work week system in July 2019, major divisions trialed a flexible working hours system that included shifts, selective part-time and holiday substitution, to ensure that the new system made a soft landing. In the future, we will apply our flexible working hours system to all divisions, helping our employees to better concentrate on their work and achieve a healthy work-life balance. Furthermore, we will minimize unnecessary or excessive overtime work as part of our efforts to manage potential factors of human rights violations.

Categorization	Unit	2017	2018
Number of Flexible Working Days Used	Days	437	500
Number of Childcare Leave Days Used	Days	11	71
Number of Prenatal Exam Leave Days Used	Days	20	41

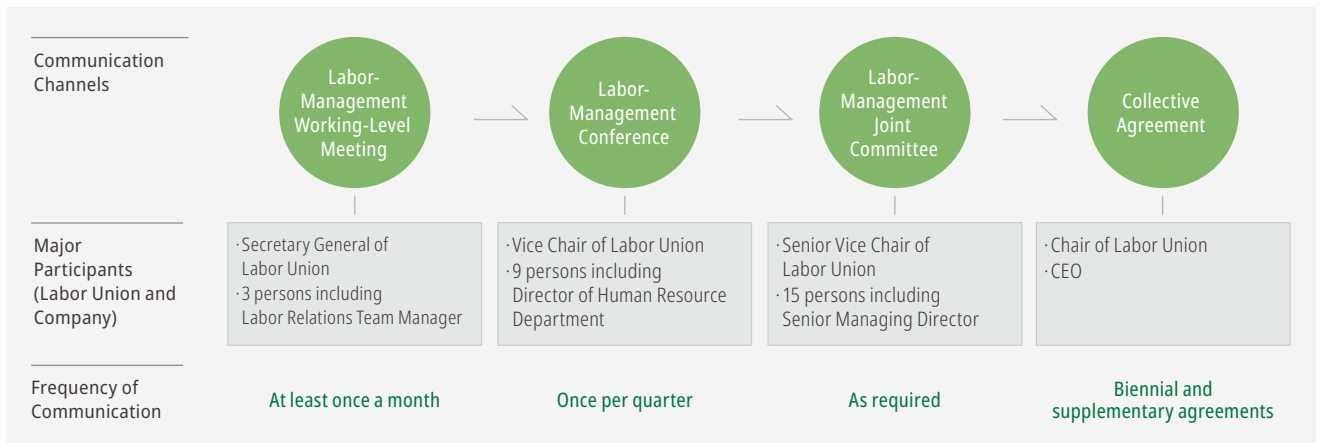
### Guaranteeing Freedom of Association and Collective Bargaining

KSD guarantees freedom of association and collective bargaining, and supports employees to freely state their opinions through the labor union on various issues such as working conditions. Disadvantageous treatment against employees for their involvement in labor union activities is prohibited in principle and we faithfully engage in collective bargaining with the labor union. When labor unions are absent, we take alternative measures to replace them and support employees to freely discuss their working conditions.

### Promoting Communication between Labor and Management

We make various efforts to maintain a stable labor-management relationship with the labor union. First of all, we have established a three-year mid- to long-term roadmap for labor-management relationships, and organized a labor-management consultative body as part of our effort to ensure that an advanced labor-management relationship takes root in the company. Based on these measures, we operate labor-management cooperation channels on a regular basis, playing an active role in encouraging communication on pending issues and finding solutions. In 2018, we held and participated in various joint events including a new employee workshop, hiking and volunteering, providing a basis for mutual understanding and cooperation.

#### Labor-Management Cooperation System



**Labor Union Membership Rate**



**100%**

### Strengthening Labor-Management Cooperation for the Socially Disadvantaged

Based on a consensus between labor and management, KSD decided to make a donation to the Ubuntu\* Foundation of the Korean Finance and Service Workers' Union, a foundation dedicated to public interest activities supporting low-income people. We donated KRW 500 million based on common goals agreed to between labor and management, such as expanding KSD's public roles, creating jobs and alleviating polarization. In the future, we will continue to strengthen labor-management cooperation in activities to protect the socially disadvantaged.

\*Ubuntu: An African (Xhosa tribe) term translated as "I am because we are," symbolizing a sense of community and solidarity



Labor-Management Joint Hiking



Donation to Ubuntu Foundation

#### Training on the Personal Information Protection Act



**2.3** hours per person

#### Job Training for Security Personnel



**48** hours per person

### Spreading an Awareness of Human Rights Management among Employees

KSD promotes awareness of human rights throughout the company in an effort to internalize respect and consideration for internal and external stakeholders. Notably, in order to root out sexual discrimination and harassment in the workplace, we have established our Guidelines on Sexual Harassment Prevention, which prohibit sexual harassment in the workplace and stipulate recurrence prevention and disciplinary measures. In addition, we provide sexual harassment prevention training at least once a year to all employees and offer a grievance handling system specifically for sexual harassment so that we can immediately respond to any such incidents. Furthermore, we train our security personnel, who are at higher risk of human rights violations due to the nature of their work, and provide them with education regarding human rights regulations specified in constitutional and criminal law, as well as work procedures and efficiency tips, to prevent potential human rights violations against stakeholders outside the company. In 2019, we provided human rights training to all employees to promote human rights sensitivity and awareness. Participated in by executives and the working-level support group, the human rights training helped to enhance understanding of human rights and human rights management.

Categorization	Unit	2017	2018
Number of Participants in Sexual Harassment Prevention Training	Persons	524	529
Length of Sexual Harassment Prevention Training	Hours	4	4



Human Rights Training

### Human Rights Grievance Consultation System

KSD has a grievance consultation system to handle issues related to employees' human rights. Grievances regarding the working environment are received by the Labor Union, while consultations and reports of "gapjil" are handled by the Auditing Department. Violations of the Code of Conduct are reported through our official website. In addition, we operate a separate channel for public interest reporting by internal and external stakeholders, handling reports regarding acts of corruption, sexual harassment, sexual discrimination, corruption in personnel affairs and employment, and concealment of accidents.

Types of Human Rights Issues	Consultation Channel	Reporting Means
Public interest reporting regarding general human rights violations (Acts of corruption by employees, sexual discrimination, corruption in recruitment, etc.)	Ethical ombudsman	Company website or email
Consultation and reporting regarding gapjil	Auditing Department	Company website or phone
Opinions regarding employee working environment and labor rights	Labor Union	Visit or phone
Consultation and reporting regarding violation of customers' human rights and other grievances	Customer proposals on company website	Company website
Consultation and reporting of sexual/verbal harassment, bullying, etc.	KSD Human Rights Center	Phone, email or meeting
Grievance consultation regarding personnel affairs, personal issues, sexual harassment, etc.	Grievance consultation channel	In-house portal



## Creating Stakeholder Human Rights Value

We strive to promote human rights management that aims to respect the human rights of all stakeholders. We have implemented policies that support the socially vulnerable, in addition to establishing the Code of Conduct so that our business partners can understand and practice the principles and ideas of human rights management. We conduct human rights inspections on major partners, providing active support to prevent human rights violations.

### Supporting the Economic Independence of the Socially Vulnerable

In keeping with one major governmental policy direction and in an effort to generate social value and achieve mutual growth, we implement policies that support the socially vulnerable, including recipients of basic livelihood security, women, service workers and people with disabilities. Pursuant to these policies, we undertake various activities to encourage their social participation and support their economic independence.

To help lower the entry barrier to economic activity for the socially vulnerable, we invested KRW 150 million in Impact Finance and introduced a policy that provides preferential treatment to companies committed to equitable hiring of women. We also improved the wage system for service workers by applying the market wage rather than minimum wage to simple labor such as janitorial and guard work, supporting them in building an economic base. Furthermore, we have actively supported markets for products made by companies with disabled employees by purchasing from social enterprises that hire people with developmental disabilities to manufacture products and by holding special exhibitions in cooperation with prospective social enterprises that support artists with developmental disabilities. Going forward, we will share value with all members of society while continuing to extend our support for the socially vulnerable to help them achieve economic independence and participate in economic activities.

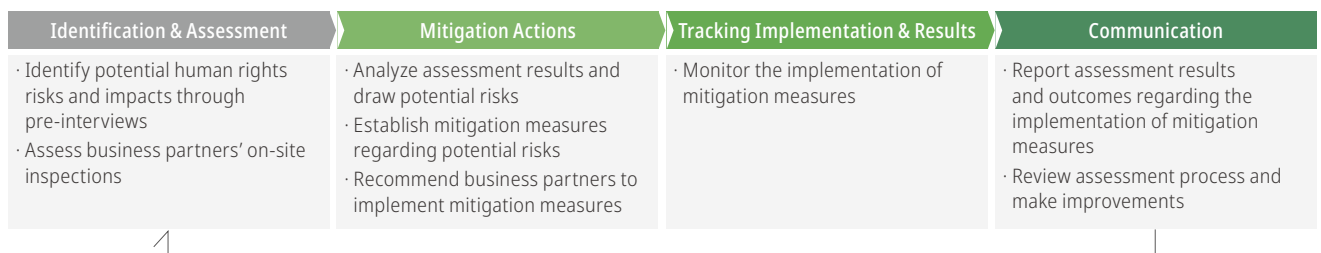
### Establishing a Code of Conduct for Business Partners

KSD has established a Code of Conduct for Business Partners in order that we may pursue human rights management hand-in-hand with our business partners, which include our subsidiary, partner companies and the KSD Nanum Foundation, all closely related to the operation of our institution and the execution of our businesses. The Code of Conduct for Business Partners consists of general provisions and chapters on respect for workers' human rights, safety and health, environmental protection, corporate ethics and our management system, so that our business partners can understand and practice the principles and ideas of human rights management.

### Conducting Human Rights Due Diligence on Business Partners and Implementing Improvement Tasks

We conduct third-party human rights due diligence on our major business partners through which we identify risks related to human rights, labor rights, safety and health, the environment, corporate ethics and our management system, as well as establish improvement plans, monitor the implementation of such plans and report on the outcomes thereof. In 2019, we conducted human rights due diligence on three of our business partners, as a result of which we were able to identify potential risks related to the protection of juvenile workers, the management of overtime workers and the reinforcement of ethical management, and provided active support to achieve improvements in those areas. In the future, we will take proactive measures by conducting human rights due diligence to prevent violations of human rights in the entire value chain related to institutional operation and business management.

### Human Rights Inspection on Business Partners



SECTION 3

KOREA SECURITIES  
DEPOSITORY  
**APPENDIX**



## ESG Data

## Economic Performance

## Major economic performance

Categorization	Unit	2016	2017	2018
Revenue		179,494	194,044	225,802
Operating income	100	47,965	59,843	79,508
Net profit	Million won	51,378	68,312	83,169
Total assets		3,286,104	3,011,769	3,447,368
Net profit per share		4,912	6,531	7,951

## Performance by service category

Categorization	Unit	2016	2017	2018
International depository and settlement services		13,566	14,243	14,302
Issuance services	100	10,504	11,198	11,858
Depository and settlement services	Million won	98,695	106,798	125,483
Supporting the asset management industry		18,225	20,161	23,023
Supporting the derivatives trading market		38,492	41,634	51,117

## Key financial indicators

Categorization	Unit	2016	2017	2018
Profitability	Net profit margin	28.62	35.2	36.83
	Return on equity	5.06	6.44	7.42
	Return on assets	1.54	2.17	2.58
Growth	Operating profit growth	-2.74	24.76	32.86
	Sales growth	6.72	8.11	16.37
	Net income growth	-18.24	32.96	21.75
Stability	Debt-to-equity*	219.66	175.44	200.01
	Current ratio	121.88	131.61	133.90
	Total borrowings	0	0	0

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

## Distribution to stakeholders

Categorization	Activities	Unit	2016	2017	2018
Government	Taxes		15,243	13,414	20,352
Shareholders	Dividends	100	17,887	27,301	33,263
Academics	Subsidies	Million won	37	36	64
Employees	Wages		68,102	67,347	72,172
Community	Donations		3,651	4,919	14,749

\*2016 figures were modified from those included in the previous report due to changes in calculation standards

## Environmental Performance

### Energy consumption

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

Categorization		Unit	2016	2017	2018
Total			71.01	72.39	78.65
Direct energy sources			8.16	8.31	9.28
	LNG		6.34	6.51	7.01
	Diesel	TJ	0.67	0.67	0.97
	Gasoline		1.14	1.13	1.30
Indirect energy sources			62.85	64.08	69.37
	Electricity		57.86	59.36	63.99
	Steam		4.99	4.72	5.38

\*2016 figures were modified from those included in the previous report due to changes in calculation standards

### Greenhouse Gas (GHG) emissions

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

Categorization		Unit	2016	2017	2018
Total			3,443.07	3,529.48	3,619.10
Direct emissions (Scope 1)		tCO <sub>2</sub> e	446.58	454.14	511.33
Indirect emissions (Scope 2)			2,996.49	3,075.34	3,107.77

### Waste production

The majority of the waste produced by KSD is domestic waste and is properly managed through the volume-rate garbage disposal program. Paper, batteries, and fluorescent lamps are discarded in recycling bins. KSD does not produce any harmful substances in the course of providing services.

### Green purchasing and environmental investment

Categorization		Unit	2016	2017	2018
Green purchasing	Amount	100 Million won	282	990	450
	Ratio	%	84.1	90.4	88.6
Environmental investment	LED light installations	%	81.70	84.82	91.17
	Ratio of eco-friendly vehicles	%	51.52	51.52	60.47

## Social Performance

### Workforce

	Categorization	Unit	2016	2017	2018
Region	Busan HQ	Persons	317	325	347
	Seoul Office		197	225	249
	Ilsan Center		51	52	58
	Gwangju Office		4	4	4
	Daejeon Office		5	5	5
	Daegu Office		4	5	4
	Jeonju Customer Support Center		3	3	3
Gender	Male		434	455	484
	Female		147	164	186
Total*			581	619	670

\* Based on permanent and temporary employees (excluding management executives and youth interns)

### Newly recruited employees

	Categorization	Unit	2016	2017	2018
Total	Number	Persons	29	60	45
Female	Number	Persons	17	22	19
	Ratio	%	58.62	36.67	42.22
Engineering graduates	Number	Persons	7	20	9
	Ratio	%	24.14	33.33	20.00
Local talent*	Number	Persons	9	14	11
	Ratio	%	31.03	23.33	24.44

\* Local talent based on employees in Busan (region of relocation)

### Employee turnover

	Categorization	Unit	2016	2017	2018
Number		Persons	5	5	5
Ratio		%	0.9	0.8	0.74

### Education and training

	Categorization	Unit	2016	2017	2018
Vocational capacity development training		Number of sessions	2,974	3,090	3,793
Training hours per employee		Thousand won	4,129	4,995	4,839

**Standard entry - level wage compared to the legal minimum wage**

Newly hired full-time employees were paid 241% of the legal minimum wage in 2018. No gender discrimination was identified in pay.

Categorization	Unit	2016	2017	2018
Average entry - level wage	Thousand won	41,979	43,119	45,538

**Parental leave and childcare leave**

	Categorization	Unit	2016	2017	2018
Parental leave	User of parental leave		5	7	12
	User of spousal/parental leave		11	12	13
	User of childcare leave		15	14	10
Childcare leave	Male	Persons	1	0	0
	Female		14	14	10
	Return from childcare leave		11	8	4
	Returnees who remained employed for a year or longer following return		6	8	4

**Right to exercise freedom of association and collective bargaining**

KSD has a labor union, under which all employees other than the 43 directors and higher-ranking managers are registered as members pursuant to collective agreements. KSD guarantees employees' rights to organization, collective bargaining, and collective action pursuant to relevant laws and collective agreements. Furthermore, KSD does not restrict unionizing or compel resignations from the union. Non-unionized workers are also entitled to resort to grievance management procedures to protect their basic rights.

Categorization	Unit	2016	2017	2018
Unionization rate*	%	100	100	100

\*100% membership in multiple unions, \* 2016 figures are revised from figures in previous reports due to changes in calculation criteria

**Minimum notice period regarding significant operational changes**

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

**Percentage of the total workforce represented in formal Joint Management-Worker Health and Safety Committees**

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

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

	Categorization	Unit	2016	2017	2018
Occupational diseases	Occurrence of occupational diseases	Number of cases	0	0	0
	Occupational disease rate	%	0	0	0
Industrial accidents	Industrial accident incidents	Number of cases	0	0	0
	Industrial accident rate	%	0	0	0
Lost days	Lost days	Number of days	0	0	0
	Lost day rate	%	0	0	0

### Elimination of child and forced labor

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

### Sexual harassment training

	Categorization	Unit	2016	2017	2018
Sexual harassment prevention training	Number of participants	Persons	491	524	529
	Training hours per person	Hours	4	4	4

### Local purchasing policy

KSD preferentially procures supplies and consumables from local suppliers and partners for our operations in Seoul, Daejeon, Daegu, Gwangju, and Busan according to our policy related to purchasing and specifying partners.

### Type of product and service information required by procedures

KSD provides business information through IR disclosures, press releases, and other formats to help ensure that stakeholders have an accurate understanding of the organization.

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

	Categorization	Unit	2016	2017	2018
Violations of privacy		Case	0	0	0
Customer complaints related to customer data and privacy		Case	0	0	0

## Independent Assurance Statement

### Responsibility and Independence

KFQ was engaged by Korea Securities Depository (hereinafter 'KSD') to provide limited assurance on the KSD SUSTAINABILITY REPORT 2019 (hereinafter 'the Report'). Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed. We conducted its assurance based on completeness of the data and information that KSD provided. KSD is responsible for all contents within the Report including the reporting principles and standards. KFQ does not have any other interest in KSD business activities, nor does it take any responsibility for stakeholders other than KSD in its assurance conclusions. We have also no biased opinion on stakeholders of KSD.

### Assurance Standards

This assurance was planned and performed based on AA1000 AS (2008), AA1000 APS (2008), GRI Standards, UN SDGs and UN Global Compact (UNGC). KFQ identified the followings as its scope:

- Sustainable activities and achievements for KSD headquarters and all domestic sites described in the Report
- Compliance with the guidelines according to GRI Standards 'Core Option'
- GRI Standards compliance assessment regarding contents of the Report and assurance principles of reporting quality
- Application of Type 1 assurance approach according to AA 1000 APS 2008 and AA 1000 AS 2008 to assess compliance with inclusiveness, materiality and responsiveness principles and reliability of sustainability performance information.
- The link between the core subjects and the UN SDGs and the UNGC.

### Assurance Procedures

KFQ designed procedures to have reasonable assurance of the Report's critical errors or inappropriate information. We verified the reliability of the contents, processes and systems of data generation and report preparation.

#### i. Document Review

We reviewed the reliability of non-financial data in respect of the 'Sustainability' by cross-checking the Report with GRI Standards, quantitative data of KSD, and internet & media research information. We also confirmed whether or not the financial information mentioned in the Report was correctly derived from internal documents and the audited financial statements from business report on All Public Information In-One (<http://www.alio.go.kr>).

#### ii. On-site Verification

We visited KSD headquarters and conducted on-site verification to confirm reliability of the sustainability activities and performance data contained in the Report and to evaluate the effectiveness of the reporting process. We performed verification in the accuracy topic of the aggregated data from KSD. These procedures included the following:

- Materiality assessment process, stakeholders inclusiveness, key issues, internal response procedures, etc.
- Assessment of data analysis and descriptions and sustainable management performance in the Report
- Consistency between the financial data contained in the Report and the audited financial statements 2018
- Interviews with relevant staff responsible for providing information in the Report

#### iii. Resolution of Findings

We confirmed that some errors, inappropriate information, and ambiguous expressions found during the on-site visit were properly addressed in the final Report.

#### iv. Limitations

The Report has been prepared solely for KSD in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than KSD for the conclusions we have reached in the statement. Completeness and responsiveness of sustainability performance information presented in the Report have inherent limitation due to their nature and the methodology used for determining, calculating and estimating such data.



### Conclusion

Based on the assurance activities stated herein, KFQ confirmed that the Report meets the GRI Standards 'Core Option'. According to the principles of AA 1000 APS 2008 and AA 1000 AS 2008, inclusiveness, materiality and responsiveness, sustainability performance information were assessed and we could secure reasonable grounds to provide Type 1 level of assurance with the following confirmation:

#### · Stakeholders Inclusiveness

KSD identified eight stakeholders groups related to the major issues of sustainable management. To hear any concerns and opinions from them, KSD had a customized communication strategy for each stakeholder group and reflected their responses and opinions to its sustainable management activities.

#### · Sustainability Context

In terms of sustainability, KSD continues to actively respond to the economic, environmental and social effects that stakeholders require based on the core issues. KSD is actively implementing social responsibilities such as human labor and environmental rights pursued by UNGC through the establishment of human rights management strategies, the development of checklists, and the monitoring of implementation status.

#### · Materiality

KSD established issue pools and reviewed by internal guidelines and external assessment criteria (internal standards, GRI Standards, DJSI, UN SDGs, media coverage and benchmark) incompliance with the materiality assessment process. As a result, ten material topics derived from the process along with key performance in 2018 has been appropriately reflected in the report.

#### · Completeness

KSD applied reporting scope, boundary and temporal criteria. KFQ confirms that the Report is suitable for stakeholders to assess sustainability performance.

### Recommendation

To further advance sustainable management, KSD should monitor sustainability performance indicators for corporate social responsibility in a systematic way and reflect required improvements on its management activities by setting up long term plans. In addition, KFQ recommends KSD to set up continuous management improvement measures for the key issues identified by the materiality assessment process and focus on them in future reports.

September 2019  
Seoul, Korea  
CEO Yoon Seok Un



## GRI Index

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	102-8	Information on employees and other workers	75	
	102-9	Supply chain	49-50	
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	102-11	Precautionary Principle or approach	14-15	
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	102-16	Values, principles, standards, and norms of behavior	53-57	
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	413-2	Operations with significant actual and potential negative impacts on local communities	-	Unrelated
Marketing and Labeling	417-3	Incidents of non-compliance concerning marketing communications	-	No cases of violations
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Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-	No cases of violations

## UNGC & UN SDGs

### United Nations Global Compact (UNGC)

In October 2008, KSD joined the United Nations Global Compact (UNGC), a voluntary corporate initiative encouraging corporations to fulfill their social responsibilities. We meet the international standard for corporate social responsibility by complying with the ten principles pursued by UNGC, including human rights, labor, the environment, and anti-corruption, and report through the Sustainability Report.

Categorization	Principles	KSD's Activities
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. make sure they are not complicit in human rights abuses.	KSD established its Human Rights Management Declaration and Guiding Principles to implement people-centered human rights management in business activities. We also conduct human rights impact assessments to examine potential factors of human rights violations and manage relevant risks.
Labor	3. Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining; 4. the elimination of all forms of forced and compulsory labor; 5. the effective abolition of child labor; and 6. the elimination of discrimination in respect to employment and occupation.	KSD guarantees freedom of association and collective bargaining and operates labor-management channels to encourage active communication and problem-solving. We respect diversity and prohibit discrimination based on gender, education, religion, etc.
Environment	7. Businesses are asked to 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.	KSD plays a leading role in creating low-carbon financial infrastructure using its corporate specialties, such as electronic securities and E-voting systems. We also make continued efforts to reduce GHG emissions by, for instance, building green offices and participating in forest carbon offset projects.
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	We have set up an ethical management system by establishing the Code of Conduct and other ethical guidelines to create an upright corporate culture. We also undertake various activities to internalize ethical awareness, including projects to spread an anti-corruption/ethical culture and establishing measures to eliminate gapjil.

### UN Sustainable Development Goals (SDGs)

As a global corporate citizen, KSD strives to contribute to achieving the UN Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. In this light, we have strengthened activities in areas that relate to our sustainability management and will devise a strategic implementation system in the near future.

Categorization	Goals	KSD's Activities
 Goal 4.	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	·Provide financial education to young adults and local communities and operate the Securities Museum ·Enhance the financial education infrastructure of Busan
 Goal 5.	Achieve gender equality and empower all women and girls	·Practice socially equitable employment and operate female HR development programs ·Conduct anti-sexual harassment educational programs and operate grievance handling channels
 Goal 8.	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	·Support the economic independence of socially vulnerable groups ·Support disabled small-business owners through the Dream Come True Store project ·Create quality jobs through the Job Creation HQ
 Goal 13.	Take urgent action to combat climate change and its impacts	·Establish a green office to decrease greenhouse gas emissions ·Carry out Forest Carbon Offset Project for creating meditation forests in schools ·Build low-carbon financial infrastructure including electronic securities and electronic voting systems
 Goal 16.	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	·Establish the Code of Ethics and operating regulations ·Operate the solicitation registration and internal control systems

## Human Rights Reporting Index

KSD undertakes various activities to protect and promote the human rights of its stakeholders and makes reports in accordance with the UN Guiding Principles Reporting Framework. We underwent an institutional human rights impact assessment reflecting the human rights impact assessment checklist of the National Human Rights Commission.

### UN Guiding Principles Reporting Framework

Categorization	Items	Content	Pages
Governance of Respect for Human Rights	A1 Human rights policies	Whether the company makes public its commitment to respect for human rights	67
	A2 Internalizing respect for human rights	Efforts to internalize the company's commitment to respect for human rights	74
Defining the Focus of Reporting	B1 Statement of salient human rights issues	Salient issues relating to business activities	70
	B2 Determination of major human rights issues	Methods of determining salient issues	69
	B3 Choice of focal geographies	Focal geographies and methods of selection	69
	B4 Potential issues	Defining potential issues	69-70
Management of Salient Human Rights Issues	C1 Specific policies to address salient human rights issues	Specific policies to address salient human rights issues	69-70
	C2 Stakeholder engagement	Stakeholder engagement regarding each salient human rights issue	69
	C3 Impact assessment	Identifying sustainable human rights issues	69-70
	C4 Responses to human rights issues	Integrating salient human rights issues into decision-making processes and actions	68
	C5 Performance evaluation	Effectiveness of company's efforts to address salient human rights issues	75
	C6 Remedies	Providing effective remedies to people whose human rights have been violated	75

### Checklist for the Institutional Human Rights Impact Assessment of the National Human Rights Commission

Categorization	Items					Contents	Pages
	Yes	Supplementation Required	No	No Information	N/A		
Human Rights Management System	0					Establishment of a Human Rights Declaration; Conducting regular human rights impact assessments; Establishment of a human rights management system; Reflecting results of human rights management performance; Establishment of remedies	63
Prohibit Discrimination in Employment	0					Gender equality in employment; Equal treatment of non-permanent workers and foreign workers	67, 69
Guarantee Freedom of Association and the Right to Collective Bargaining	0					Guarantee of freedom of association and collective bargaining; Guarantee of labor union activities; Faithful implementation of collective bargaining	69
Prohibit Forced or Compulsory Labor	0					Prohibition of forced labor in value chains	77
Prohibit Child Labor	0					Prohibition of hiring minors	77
Guarantee Industrial Safety	0					Guarantee of employee safety; Protection of pregnant women and disabled workers	68, 71, 77
Manage a Responsible Supply Network	0					Prevention and monitoring of human rights violations in suppliers; Prevention of human rights violations by security personnel	71
Protect the Human Rights of Local Community Residents	0					Protection of the human rights of local community residents	66
Guarantee Environmental Rights	0					Establishment and implementation of environmental management system; Disclosure of environmental information; Establishment of emergency plans	52, 59-60
Protect Consumer Rights	0					Compliance with consumer protection laws and regulations; Measures in case of product defect; Protection of customers' personal information	40

## Declaration of Human Rights Management

At Korea Securities Depository (KSD), a depository and settlement service provider dedicated to the development of the capital market and national economic development, we are strongly committed to human rights management that places people at the core of our business management activities. We fully support international standards and norms on human rights and pledge to protect the human rights of all our stakeholders including employees, customers, partners and local communities.

- ① We shall implement human rights management that respects human dignity and value.
- ② We shall make active efforts to prevent human rights violations as well as take affirmative actions and continuously implement activities to improve human rights-related issues.
- ③ We shall not discriminate against our stakeholders on the basis of gender, age, disability, religion, race, place of origin, political views, etc.
- ④ We shall prohibit all forms of forced and child labor.
- ⑤ We shall guarantee our employees' freedom of association and create a corporate culture of cooperation built on mutual trust.
- ⑥ We shall provide a safe and pleasant working environment for our employees.
- ⑦ We shall engage in transparent and fair trade with our partners and support their implementation of human rights management.
- ⑧ We shall endeavor to prevent human rights violations against residents in areas adjacent to our headquarters and local and overseas offices. We shall carry out social contribution activities.
- ⑨ We shall comply with domestic and international environmental laws and regulations, and disclose relevant information.
- ⑩ We shall respond to customer demands in a prompt and accurate manner, and protect customer information collected for business purposes.

## Awards and Memberships

### Awards

Awards	Hosting organization	Year
Prime Minister's Award at the National Infrastructure Disaster Management Assessment	Ministry of Public Safety and Security	2016
Customer Satisfaction and Management Award	Korea Economic Daily, Korea Sustainability Management Evaluation	2016
Gold Prize in IT Innovation at the 2016 Korea Securities Awards by Maeil Business Newspaper	Maeil Business Newspaper	2016
Awarded as an Exemplary Taxpayer by the Director of the National Tax Service on the 50th Taxpayer's Day	National Tax Service	2016
Award from the Minister of Education at the Korean Donations for Education Awards	Korea Foundation for the Advancement of Science and Creativity, Ministry of Education	2016
Award from the Minister of Oceans and Fisheries for City-Fishing Village Exchange	National Federation of Fisheries Cooperatives, Ministry of Oceans and Fisheries	2016
Commendation from the Minister of Land, Infrastructure and Transport for National Merit in the Promotion of Regional Industry	Ministry of Land, Infrastructure and Transport	2016
Best Practices in Business Management by a Public Institution in 2016	Ministry of Strategy and Finance	2017
Commendation from the Mayor of Busan as a Golden Taxpayer on the 51st Taxpayers' Day	Busan Metropolitan City	2017
Special Prize (Meritorious Service Award) at the Korean Retirement Pension Grand Prize	Maeil Business Newspaper, FnGuide	2017
Commendation from the Vice Chairman of the Presidential Committee on Jobs at the Job Creation Contest for Public Institutions	Ministry of Strategy and Finance	2017
Grand Prize at the Job Creation Exemplary Management Awards of Korea 2018	Dong-a Ilbo	2018
Excellence Award at App Awards Korea 2018	Korea Internet Professionals Association	2018
Commendation from the Deputy Prime Minister and Minister of Education for Job Creation, Korea Social Contribution Award 2018	Korea Institute of Service Industry	2018
Merit Award at the KOSDAQ Listed Companies Association Foundation Ceremony	KOSDAQ Listed Companies Association	2019
Foreign Currency Securities Lending Service of the Year	The Asset	2019
Award from the Minister of Employment and Labor at the Social Contribution Awards 2019	Chosun Biz	2019

### Memberships

Categorization	Associations	Key activities
Overseas	Asia Pacific CSD Group (ACG)	The ACG is an international organization with the objective of facilitating the exchange of information and promoting mutual assistance between member securities depositories and clearing institutions in the Asia Pacific region.
	International Council of Museums (ICOM)	International network of museums for cultural, social, and economic issues in contemporary society. Assisted members of the museum community in their mission to preserve, conserve, and share cultural heritages.
	International Securities Services Association (ISSA)	Collect and disseminate information on developments in the international securities markets and offer a forum for securities operations professionals to exchange ideas.
	UN Global Compact	Comply with global ethics codes and submit COP reports.
	Hong Kong-based Korean Financial Investment Institution Conference	Cooperation and information-sharing among Korean financial institutions in Hong Kong
	World Forum of CSDs (WFC)	Promote information-sharing, discussion and cooperation among global CSDs
Domestic	Gyeonggi Provincial Museum Council	Gyeonggi province association of museums and preservation of society and cultural heritage.
	Korea Listed Companies Audit Association	Independent association in the examination of information of entity, size, or legal form for the mutual exchange of data.
	Seoul National University Center for Financial Law	Public institution for education and research on the latest trends of the financial systems and the encouragement of academics.
	Securities Agency Council	Provide network formation and consultations for securities agency businesses.
	Korea Options, Swaps & Derivatives Association (KOSDA)	Promote the derivatives market, share information related to the derivatives market, improve systems, suggest policy alternatives, cooperate with local and overseas partners, build a community for derivatives market operators, and enhance ethical awareness among participants.
	Korea IR Service Association	Hold workshops and provide information to offer corporate data to investors through active communication among corporations, shareholders, and investors and build reliability.
	Korea Institute of Internal Auditors	Internal audit specialist working in internal auditing, risk management, governance, internal control, information technology audit, education, and security.
	Korea Financial Law Association	Conduct systematic research, analysis, and academic discussion on local and overseas financial law.
	Korea Financial Investment Association (KOFIA)	KOFIA, the sole self-regulatory organization (SRO) of the Korean financial industry.
	Korea Corporate Governance Service	Cooperate in research on corporate governance and social responsibility.
	Korea Management Association	Management association for professional development, training solutions, and advancing skills for businesses.
	Korean Museum Association	Membership organization guarding the interest of museums and galleries to advocate and set ethical standards.
	Korea Commercial Law Association	Share information related to commercial laws and provide sponsorship.
	Korean Financial Management Association	Research corporate finance, investment, financial theories, and international finance.
	Korea Securities Law Association	Share information and opinions about securities-related regulations between legal and securities experts and securities-related institutions and conduct comprehensive research.
	Korea Securities Association	Exchange opinions about academic and practical issues and provide sponsorship.
Korea Payment and Settlement Association	Research economic and business issues related to payment and settlement and applicable laws.	
Korea Accounting Association	Promote the International Financial Reporting Standards (IFRS) for excellence in accounting education, research, and practice	
Financial Innovation Hub Forum	Engage in research and businesses for the development of financial investment businesses and financial innovation hubs	
Institute for Social Responsibility of Public Sector Institutions	Set directions and research measures for public sector institutions' activities to create social value	

1973 ~ 1993

### Korea Securities Settlement Corporation

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

1994 ~ 2004

### Korea Securities Depository

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

2005 ~ 2008

### Era of Korea Securities Depository

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

2009 ~ Present

### Era of Korea Securities Depository

- 2009 Founded the KSD Nanum Foundation, and initiated global fund investment services
- 2010 Opened the internal control system and initiated the electronic voting management system (K-evote)
- 2011 Opened the next-generation SAFE+, established the Hong Kong Office, and held ACG15
- 2012 Initiated the ABCP plan registration service and cut securities trading-related commissions by 20%
- 2013 Opened electronic short-term bond services, opened the securities information portal SEIBro, initiated settlement services for the KONEX market, and was licensed as a CCP (Central Counterparty) for institutional settlement of equity pursuant to the Capital Markets Act
- 2014 Launched the custody and settlement service for the gold spot market and relocated headquarters to Busan
- 2015 Commenced the LEI (Legal Entity Identifier) issuance service and launched the PensionClear system
- 2016 Launched the central record management service for crowdfunding, launched the ISA-Net service, exported NFS to KSEI Indonesia, and was licensed as an Electronic Securities Registrar
- 2017 Launched SLB collateral transaction services, opened the Korean GCF Repo trading system, and was licensed as the LOU Local Operating Unit (LOU) for Legal Entity Identifier (LEI) issuance
- 2018 Launched retirement pension provider information management service, expanded eligible collateral for SLB transactions, established subsidiary KSDREAM Co., Ltd., launched foreign currency denominated securities lending service, launched foreign currency RP service
- 2019 Opened the Electronic Securities System



KSD SUSTAINABILITY REPORT 2019

# WORLD CLASS SECURITIES SERVICE PROVIDER

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