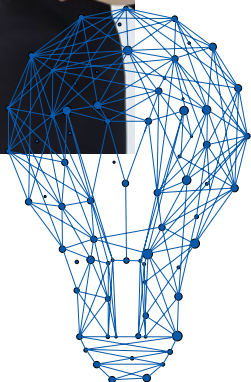
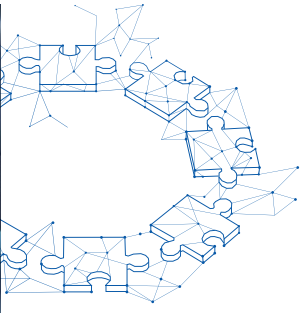




CREATE & SHARE VALUE

NH Investment & Securities
2020 Sustainability Report

Contents



About This Report

Overview

NH Investment & Securities (NHIS) has been regularly issuing the Sustainability Report since 2018 and thus sharing information on the various activities and efforts we made, to generate economic, social and environmental value, as well as resulting outcomes with shareholders. Our second publication, "Create & Share Value NHIS Sustainability Report 2020", highlights major activities and achievements related to our sustainable management and the results, with a focus on core issues derived through a materiality assessment.

Reporting Standards

This report was written in accordance to the core option of the Global Reporting Initiative (GRI) standards and the 10 principles of UN Global Compact (UNGC). The reporting standards and definitions of the financial and non-financial information included in this report are based on Korean International Financial Reporting Standards and were written by referencing the IR Guide of the International Integrated Reporting Committee (IIRC).

Reporting Period, Scope and Boundary

This report covers the results achieved from January 1 through December 31, 2019, and some content includes information on the first half of 2020 in order to facilitate the understanding of quantitative results. Reporting scope is business sites of NH Investment & Securities in Korea, including the headquarter and branch offices, and does not include its subsidiaries. Environmental efforts and achievements are limited to the headquarter's. When necessary, activities and results of some overseas business sites were mentioned, and the reporting boundaries for each material issue are separately indicated on page 35.

Report Assurance

To ensure objectivity and reliability of sustainable management results, we received third-party assurance based on international assurance standards, AA1000AS (Addendum 2018) and AA1000AP 2018. The Independent Assurance Statement is attached in the Appendices section.

Contact Information

This report may be downloaded in PDF format from the company website of NH Investment & Securities. We are opened to receive shareholder opinions on the report through various channels, including email, telephone and mail.

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Message from the CEO



NH Investment & Securities will create and share new value with all of our shareholders, opening the door to a sustainable future as our clients' preferred and trusted "advisor" and "creator" of an era in which investment becomes a culture, as well as a "partner" that stands by the side of local communities and the society in which we operate.

To our shareholders and clients,

To leaders and partners in the communities we serve around the world,

I thank you all for your support, encouragement and unwavering sense of trust in NH Investment & Securities (NHIS) during this time of profound change.

2019 marked the 50th anniversary of the founding of NHIS, and was a year of great significance for us in a number of ways. The client-centered innovation that we have been pursuing for several years has now led to tangible results in many areas, not just in terms of economic value but also in creating shared value (CSV). In 2019, we shared our new brand vision, "Investment Culture Creator", which has redefined the concept of investment, and we also made varied efforts to develop the momentum for our future growth. As a result of this commitment to implementing sustainable growth from a long-term perspective, rather than focusing on short-term results, we had a record year with outstanding performance, supported by balanced growth across all areas of our business.

NHIS puts great emphasis on the company's adherence to its tenets of responsible growth, including environmental, social and governance practices, and we remain abreast of developments in markets, the economy and geopolitical issues that may affect them. In addition to the creation of a substantial number of quality jobs as "Korea's leading financial platform player in the capital market", we provide financial solutions which take into account the needs of society and the environment, and became the first securities firm in Korea to publish an ESG Report. As such, we use our business expertise to engage in distinctive CSV activities that are an integral part of our economically, environmentally, and socially responsible management.

2020 is expected to be a year of great volatility; there are factors beyond our control that impact the markets and economies in which we operate, especially because of uncertainties around the impacts of the COVID-19. To overcome this unprecedented crisis and serve the optimal solution to our clients and to our employees, NHIS accesses to new strategies which convert business practices to completely new way. By maintaining the following principles, NHIS implements our new way and grows in partnership with all our shareholders.

BE THE ADVISOR!

Rather than simply being a transaction-driven “broker” connecting capital supplies and demands, we are building long-term partnerships with our clients as an “advisor”, providing optimal solutions by responding to clients’ financial needs and even to their unvoiced needs. We will continue to generate value for our clients by emphasizing the importance of process value and further strengthening our digital competitiveness.

BE THE CREATOR!

Our teammates are our most important assets, and a strong driver of sustainable growth for NHIS. We are building a fair, transparent and efficient organizational culture, fostering the very best professional talent, and enabling individual employees to innovate their abilities for an era in which investment becomes a culture. This will enhance the value of both the company and our teammates.

BE THE PARTNER!

We will fulfill our corporate social responsibilities as a win-win partner alongside local community. In particular, as a member of NH Financial Group, we offer a vital support for the entire agriculture industry which is the fundamental of all industries in Korea. We will also expand our social contribution activities while strictly abiding by the ten principles of the UN Global Compact, and supporting the UN’s Sustainable Development Goals (SDGs) as a global corporate citizen.



NHIS hopes that the time is coming when investment becomes more than just a simple economic means to pursue profit, and becomes a cultural activity which brings about abundance and happiness in our daily lives. As part of our own commitment to this new investment culture, we will continue to innovate and take on challenges needed to generate truly sustainable growth.

Going forward, NHIS will continue to pay close attention to the voices of our society and communities, including clients, shareholders, employees, suppliers and local communities. We will pursue growth in harmony with them by communicating regularly and clearly, and strive to create new value by combining the trust we have sought to earn from our shareholders with the expertise we have developed over the last 50 years. In addition, we will put our great efforts to achieve the UN SDGs while also efficiently managing various sustainability issues and risk factors, and maintaining the highest principles of ethical management.

I ask for our shareholders’ continuing support for NHIS as we shape a new future as “Korea’s leading financial platform player in the capital market” in this era of challenge and change.

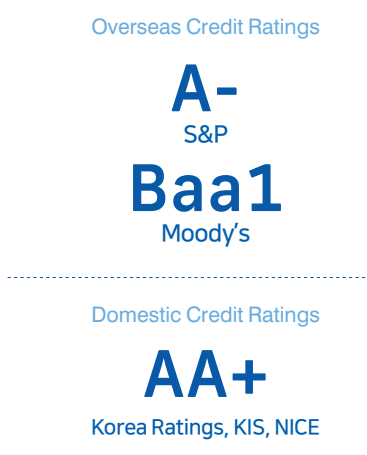
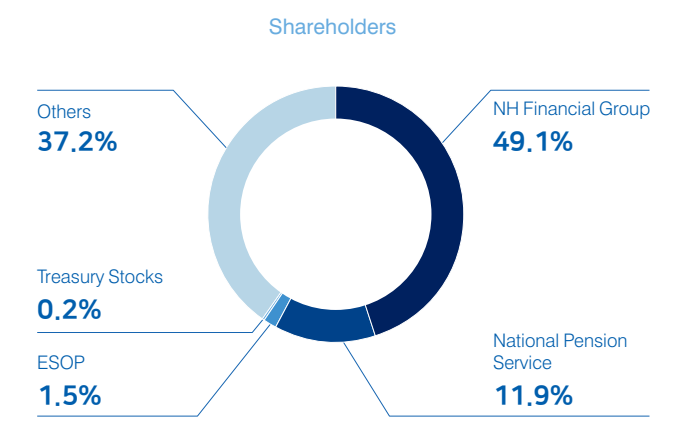
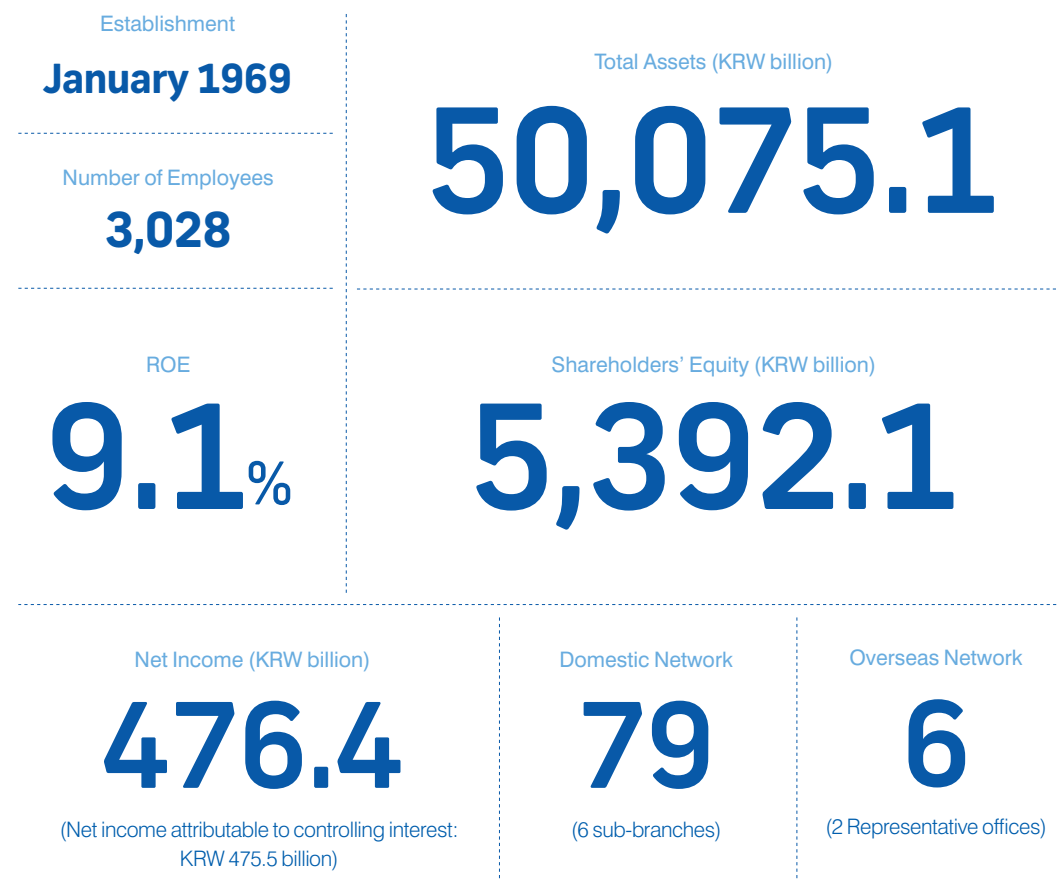
Thank you.

Jeong Young-Chae
CEO, NH Investment & Securities

Company Profile

Company Overview

NH Investment & Securities (NHIS) has been placing the highest priority on clients at all times and creating unique client value since its establishment in 1969. As a result, we have grown into a comprehensive financial investment company that leads Korea's capital market. We have established a comprehensive and expansive business portfolio that includes wealth management, investment banking and asset management, and provides outstanding services and solutions to clients and investors, while maintaining solid growth momentum across all business areas.



* As of December 31, 2019

Milestones

NHIS has grown together with our clients for 50 years since 1969, and will solidify our position as a comprehensive financial investment company that leads the capital market in the upcoming 50 years as well.



Global Network

We are building a global network and generating synergy through the entire business, including WM, IB, and trading & sales, evolving into a main platform for overseas investment of our clients. As of the end of 2019, NHIS has eight overseas hubs – six local subsidiaries and two representative offices – in six countries around the world. In 2019, NHIS recorded revenues of KRW 57.5 billion from its overseas business, a year-on-year increase of 41%, and a notable contribution to the company's record-high performance.

Overseas Subsidiaries and Offices



Global Network Profile

	Establishment	Entity Type	Equity	Number of Employees
New York	1992	Local subsidiary	KRW 6.2 billion	11
Hong Kong	1994	Local subsidiary	KRW 460.2 billion	22
Shanghai	1996	Representative office	–	2
Singapore	2008	Local subsidiary	KRW 2.8 billion	4
Indonesia	2009	Local subsidiary	KRW 62.6 billion	124
Vietnam	2009	Local subsidiary	KRW 34.8 billion	49
Beijing	2011	Local subsidiary	KRW 2.3 billion	5
London	2016	Representative office	–	2

* As of December 31, 2019

Sustainable Management Strategy

NHIS understands the corporate roles and responsibilities presented by the UN Sustainable Development Goals (SDGs)¹⁾ as a universal call to action to realize a sustainable future, and seeks to internalize them in its management strategies to generate economic, social and environmental value. In addition, we communicate with various shareholders and make continuous efforts to look for opportunities to create value that can contribute to human society in social and environmental initiatives, not to mention economic aspects. Going forward, we will focus and assess trends in the financial services industry, all with an eye toward ensuring the long-term, sustainable value of the company, thereby fulfilling our roles as a corporate citizen.



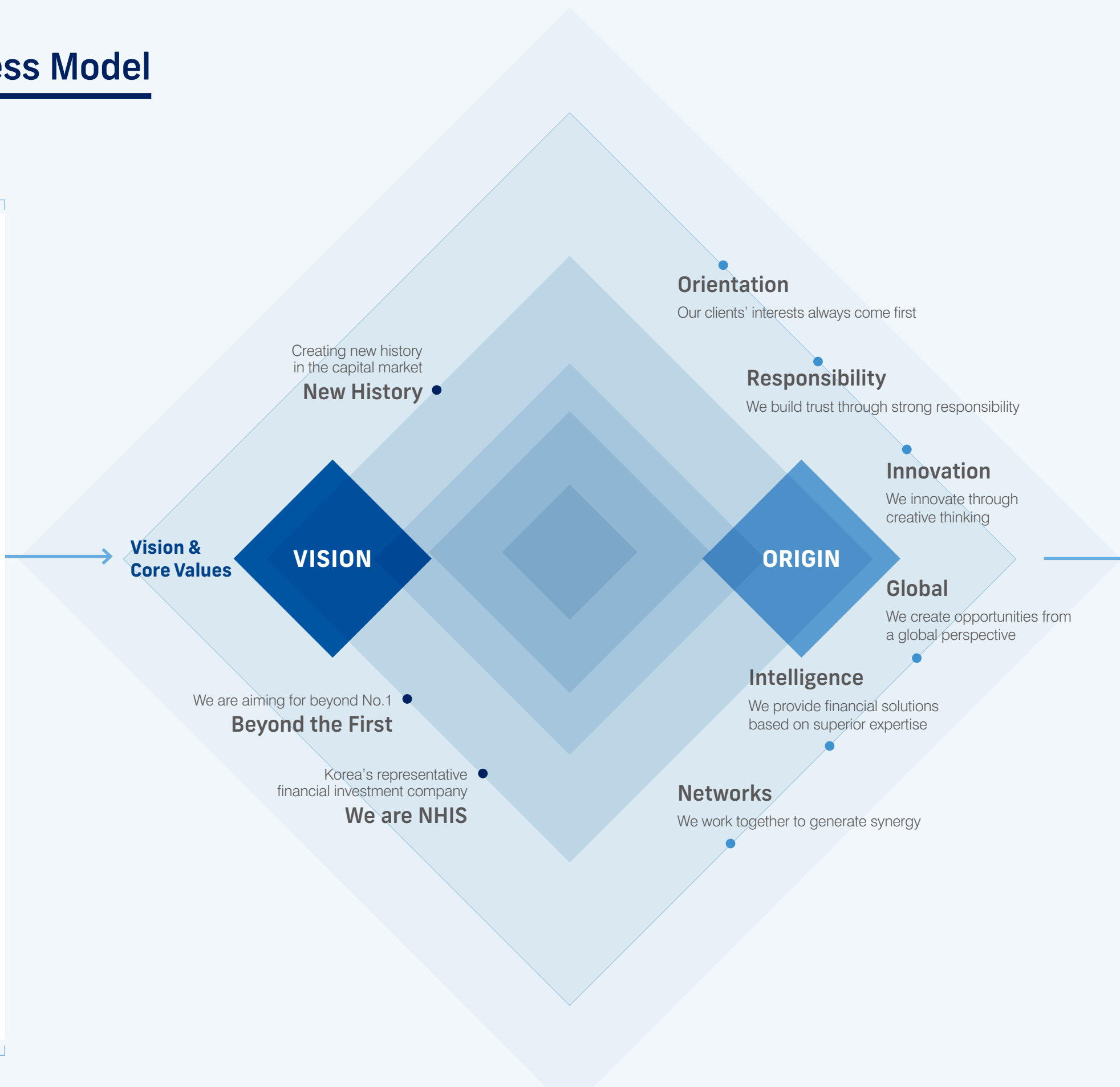
¹⁾ The 17 goals of UN SDGs were adopted by all UN Member States to be implemented from 2016 to 2030, with an aim to address economic, social and environmental problems facing humanity today and to make a better tomorrow. The 17 SDGs and their 169 targets encourage governments, civic groups, and business communities across the globe to participate in efforts to promote sustainable development.

²⁾ Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture
 Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
 Goal 5: Achieve gender equality and empower all women and girls
 Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
 Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
 Goal 12: Ensure sustainable consumption and production patterns
 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
 Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

Integrated Business Model

NHIS Business Model

CAPITAL INPUT	
Financial Capital	
Financial capital of shareholders and investors	Total assets KRW 50,075.1 billion
	Shareholders' equity KRW 5,392.1 billion
Human Capital	
Employees with a vision and a sense of vocation for securities business	Number of employees 3,028
	Number of newly hired employees 45
Intellectual Capital	
Knowledge-based intangible asset and digital system for financial services	Investment in digital platform KRW 3.2 billion
	Establishment of an open API Participation-based suggestion platform
Natural Capital	
Financial infrastructure for a sustainable environment	Domestic network 79 (6 sub-branches)
	Overseas network 6 (2 representative offices)
Social Capital	
Relations and communication with diverse stakeholders	Angel Fund 41 volunteer groups within the company
	A campaign to create an urban-rural cooperation Transparent partnership
Manufactured Capital	
Products to provide financial services	No. of funds sold 1,774
	No. of asset management companies utilizing NHIS as a distribution channel 195



CAPITAL OUTPUT	
Financial Capital	
Net income	Interest paid to clients
KRW 476.4 billion	KRW 414.2 billion
Dividend	Corporate tax
KRW 150.7 billion	KRW 156.8 billion
Human Capital	
Employee compensation ¹⁾	
KRW 571.6 billion	
Employee training hours	
64.67 hours/person	
Intellectual Capital	
Robo-advisor product line-up	Business process and idea suggestions received through platform
5	2,003 cases
Client assets of NAMUH	
KRW 6.6 billion	
Natural Capital	
Digital operation system	
Tablet PC	
Greenhouse gas emission data management system	
Social Capital	
Social contribution expenses	Number of "Another Town" events held
KRW 5.94 billion	32
Support for Angel Fund	Integrity Agreement
KRW 14.6 million	40 registered companies
Number of employees participating in CSR	128 suppliers
5,820	
Manufactured Capital	
Fund sales (Balance)	
KRW 53.3 trillion	
Expenses paid to asset management companies ²⁾	
KRW 77.4 billion	

* As of December 31, 2019
¹⁾ Salaries, severance benefits, employee benefits, early retirement allowances
²⁾ Electronic data processing expenses, business outsourcing, commissions paid

Integrated Thinking

Financial Capital

Financial capital means investment of funds to generate revenues and valuation to create financial value, such as stock price gains and dividends, and business model diversification for sound governance and stable performance. Relevant stakeholders include shareholders, investors, and analysts.



I would describe the image of NHIS as “astonishment”. What comes across my mind is familiarity and kindness. After its merger in 2014, NHIS achieved remarkable growth. The company has completely positioned itself as a leading IB in the industry. In particular, its Investor Relations Team has been a remarkable communicator with the market, providing considerable help with analysis. I believe NHIS is a securities firm that derives the utmost outcomes even under limited conditions, and that it would be constructive and valuable for the firm to further increase profitability. I will continue to have high outlooks towards NHIS.

Park Hyejin, Analyst Asset Strategy Department, Daishin Securities

Human Capital

NHIS offers financial products and services based on expert knowledge and competencies to better suit clients' investment appetite and financial goals. To this end, we focus on developing employee capabilities and strengthening work expertise. Our human capital includes executives, employees, and our employee culture that pursues human rights and work-life balance, along with employment and job stability.



NHIS has established a corporate culture that promotes open communication and provides opportunities for individual development and growth. All employees may present their opinions, while listening attentively to others, irrespective of their title or position. Internal contests are active, and there is a support system in place so that any junior-level staff may freely create and operate a taskforce team (TFT) with innovative ideas. What gives me the greatest sense of satisfaction is that the company provides a platform for development and growth to employees. I believe NHIS is a leading company in the financial sector. I am not simply referring to salary and benefit schemes. I sense I am having a good time working with top-level colleagues and growing together with them.

Jin Sang-Won, General Manager Corporate Strategy Department, NHIS
Response to financial investment business regulations and policies; and organizational restructuring and establishment of strategies

Intellectual Capital

Intellectual capital refers to the company's knowledge-based intangible assets. It includes various systems, innovative ideas and technologies that can promote improvements in the financial market along with client experience. Relevant stakeholders are executives, employees and partner companies such as tech suppliers.



NHIS has a distinctive internal control system, such as Compliance Plaza, CIMS, I-CON, and Thought Talk-Talk (suggestion channel related to internal control). NHIS recognizes an internal control system as an important intellectual asset, so that we make continuous efforts to improve such systems as evaluation of internal control at branches; employee trading; anti-money laundering; FATCA; external activity reporting; reporting of unsound receipt of money, valuables, and entertainment; and self-inspection of compliance monitoring, aimed at observing laws related to the financial investment business and practicing ethical management. We also encourage our employees to participate and offer diverse trainings. In particular, the CEO emphasizes and communicates with employees regarding financial consumer protection and practicing compliance in supporting income generation.

Choi Chang-Seon, Director Compliance Department, NHIS
Establishment and operation of compliance monitoring system and compliance supervision

Natural Capital

NHIS places high priority on eco-friendly, renewable elements in providing financial products and services that can support past, present, and future prosperity. It refers to all elements that fulfill environmental responsibilities, and its relevant stakeholders include executives, employees and related partner companies.



We kindly greet visitors, clients, and employees, and maintain a hygienic environment. We carry out patrols and safety inspections to prevent safety-related accidents. NH Investment & Securities Co. headquarter building was built in 1994. In line with NHIS' eco-friendly building management policy, old lighting equipment was replaced with eco-friendly LED lighting equipment, resulting in reduced electric power use. We also repaired and replaced old facilities for construction, machinery, electricity, firefighting, and disaster prevention, in a timely manner, thereby increasing their period of use.

Jeon Chang-Jae, Director NH NongHyup Partners
Management and maintenance of facilities in NH Investment & Securities Co. headquarter building

Social Capital

Social capital refers to systems and relations within mutual relations and network with various stakeholders, including local communities, clients, and partner companies such as suppliers. It includes information-exchange capabilities to promote the welfare of individuals and groups; social contribution activities leveraging our expertise in financial business; and products and services related to responsible investment and social contributions.



NHIS is the first in the industry to publish a solid ESG Report to be acknowledged as an ESG-friendly company. ESG has recently become a huge topic in the financial industry, and NHIS' ESG Report is widely used to make ESG performance comparisons with overseas companies and to review corporate business plans, including ESG performance. If NHIS moves forward with continuous ESG performance improvements, in addition to publishing the report, the company can expect an increase in foreign capital inflow by being included in the DJSI. I anticipate NHIS to fully establish itself as an advanced player that sets industry standards on sustainable management by creating innovative ESG outcomes.

Kang Seohee, Senior Manager Securities Services Department, Korea Financial Investment Association
Improvement of securities firm system; global research; and support for institutional improvements to promote market development and to improve business environment in the industry

Manufactured Capital

Manufactured capital refers to comprehensive elements that can be used to develop financial products and provide bespoke services to enrich client experiences. Relevant stakeholders include executives, employees and related partner companies such as asset management firms.



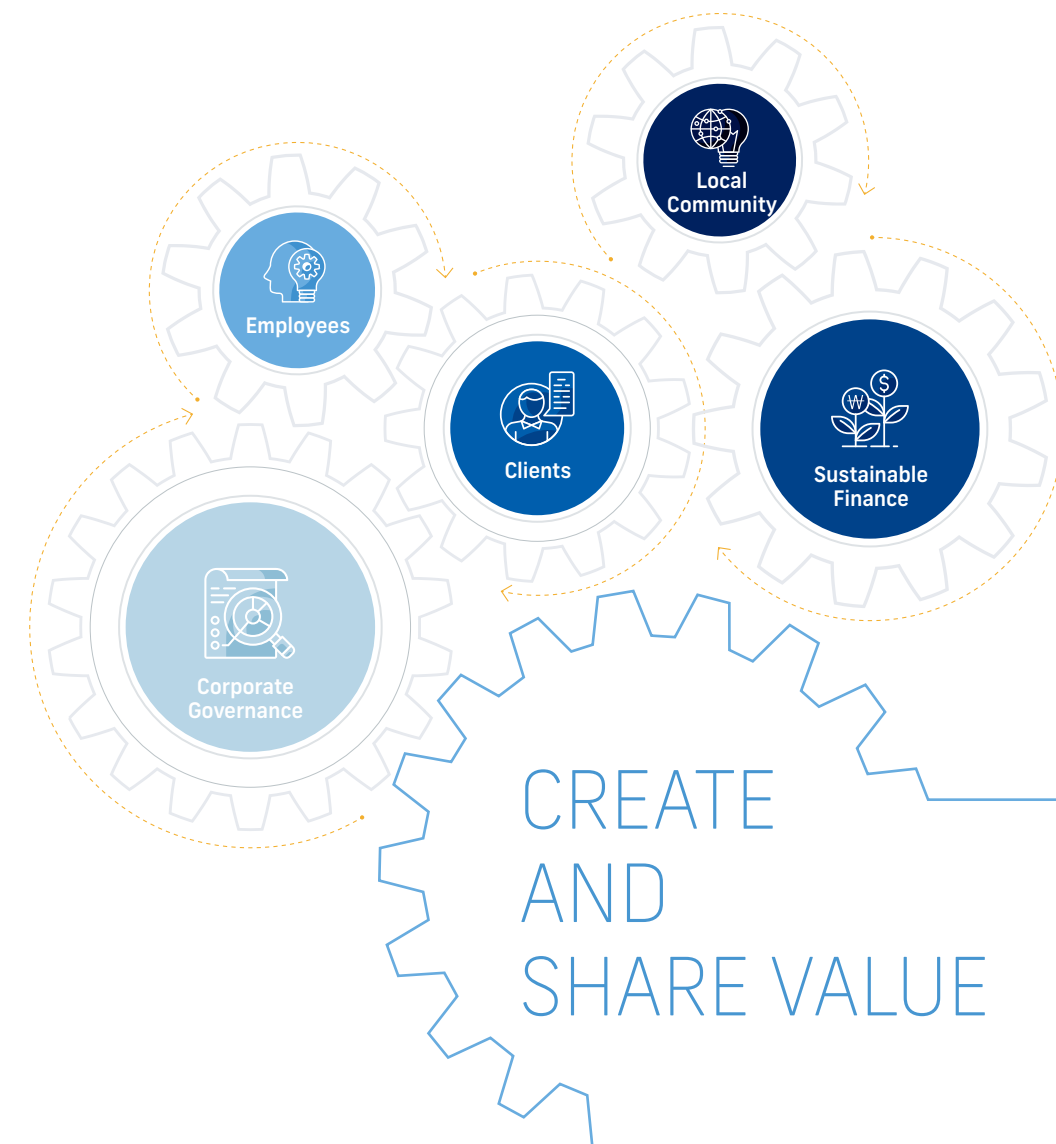
When developing financial products, qualitative and effective communication with distributors, such as securities firms and banks, is an essential tool in reflecting client needs accurately because they are the closest point of contact with clients. As a company that is focusing on client-centered management, NHIS is a respectable communication channel that can most effectively reflect client needs from the perspective of a product supplier, such as an asset management company. In addition, NHIS' efforts towards sustainable management are leading industry trends, and these will be used as important ideas for the future financial product development. There is also a high level of satisfaction regarding its sustainability report. I expect NHIS to continue on its path to sustainable management.

Gang Eunjung, Head of Product Team Marketing Strategy Department, NH-Amundi Asset Management
Management of financial products (funds) lifecycle operated by NHIS

Sustainability Highlights

SOWING SEEDS OF CHANGE

2019 was year in which when the seeds of hope and opportunity sown by NHIS took root, and based on that, we achieved meaningful growth. We improved our governance to ensure responsible management, and placed highest priority on raising value of clients who are the essential foundation of everything we do. Moreover, we supported our employees and saw significant internal and external awareness for being a great place to work, which in turn has enhanced our corporate value. We also focused on building a path towards a better tomorrow, working together with local communities and the environment to achieve sustainable growth.



Sustainability Highlights



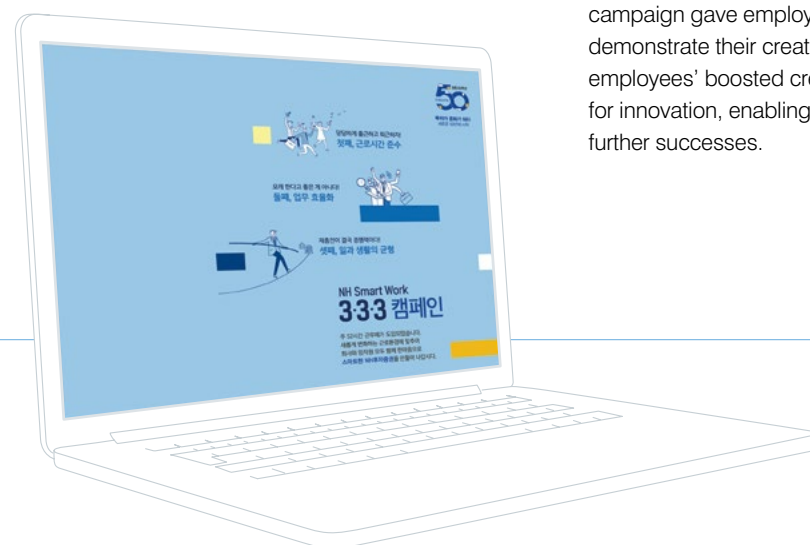
EMPLOYEES

Best compensation system in the Korean securities industry

NHIS is committed to making the financial and personal lives of our employees better. Employee benefits and per-capita average salary of NHIS recorded the best in the Korean securities industry. According to a survey carried out by the Korea Financial Investment Association, employee benefits based on non-consolidated figures at NHIS in the first half of 2019 rose by 16% year-on-year to reach KRW 49,740.37 million, the highest of any securities firms in the Association. In addition, the new 52-hour working week system has substantially improved employee welfare of NHIS.

NH Smart Work 3.3.3 campaign

NHIS ran the "NH Smart Work 3.3.3" campaign in order to establish a new way of working following the adoption of the 52-hour working week system. The main elements of the campaign were compliance with statutory working hours, greater work efficiency, and a work-life balance. The campaign gave employees the opportunity to demonstrate their creativity to the fullest, and employees' boosted creativity will be a driving force for innovation, enabling the company to achieve further successes.



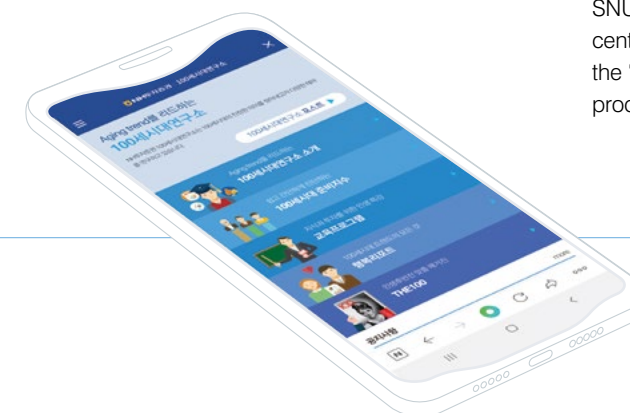
LOCAL COMMUNITY

Hosted a special exhibition to celebrate the 50th anniversary of the founding of NHIS

In celebration of the 50th anniversary of its founding, NHIS hosted a special exhibition on the theme of its new brand slogan, "Investment, Becomes a Culture". The "Culture, Becomes an Investment. Companion of the Century" exhibition took place from September 20-22, 2019 in the Seoul Auction House exhibition hall in Pyeongchang-dong, with visitors enjoying artworks ranging from 20th Century masters to the works of leading Korean contemporary and new trend artists. There were many other programs on offer, including an art seminar where visitors experienced NHIS' unique brand identity, through which investment truly becomes a culture. There was also an artifacts auction, and starting prices began at only KRW 10,000, enabling participation by all visitors, and proceeds were donated towards supporting the needs of the community, in the name of the bidders.

Signed an MOU with Seoul National University for retirement planning research

In March 2019, NHIS signed a memorandum of understanding (MOU) with the College of Human Ecology at Seoul National University (SNU). The purpose of this MOU was cooperation in conducting joint surveys and research for three-year period through to February 2022, with a particular focus on people's preparations for the centenarian age of homo-hundred, and the retirement planning that will be necessary. NHIS first signed an MOU with SNU in 2012, and announced the results of joint research on centenarian age in the same year, alongside the development of the "Centenarian Age Life College" education program having produced a total of 13 groups of trainees as of November 2019.



NHIS will collaborate with SNU, the most outstanding research institute in Korea for old age and retirement planning, in order to further fulfil our social responsibilities by helping citizens prepare for the centenarian age of homo-hundred.

Jeong Young-Chae CEO of NHIS

Sustainability Highlights



CORPORATE GOVERNANCE

Launched a new brand vision – Investment Culture Creator

In May 2019, NHIS has embraced its new brand vision of becoming an “Investment Culture Creator”, and set out its determination to enhance the company’s brand by creating and appreciating distinctive client value. The launch ceremony for the new vision took an innovative form of a talk concert and networking event participated by executives and employees, enabling them to share the vision and ideas liberally for leading the changes in the investment culture, under the brand slogan, “Investment, Becomes a Culture”.

Employee stock ownership campaign to strengthen responsible management

In January 2019, the NHIS Employee Stock Ownership Association began an employee stock ownership campaign to establish a foundation for adopting the Employee Stock Ownership Plan (ESOP) with the goal of helping employees build wealth and enhance a sense of ownership through stock holdings.

“The main purpose of this campaign is to boost our employees’ sense of responsibility, and I acknowledge the active participation of the Employee Stock Ownership Association. With our employees having a strong sense of ownership toward the company, they will be able to create genuine bonds and feelings of trust for our clients.”

Jeong Young-Chae CEO of NHIS



CLIENTS

Adopted KPI that values the process towards the results

NHIS has adopted a key performance index (KPI) which values the processes that generate results. As a result, sales personnel are not tied up to meet financial targets, but to focus on identifying their clients’ actual investment needs. This is based on our belief that our clients are the foundation of our business, and we are striving to make sure that our employees have expertise to deliver the finest comprehensive advices and services for the complex investment needs of our clients. Distinctive solutions based on industry-leading expertise, the value of process to reach the sound result, and the resulting strong partnerships with clients are creating a virtuous cycle for sustainable competitiveness at NHIS.

Implemented the industry’s first intelligent integrated CCTV control system

NHIS has become the first Korean financial company to develop a cutting-edge intelligent integrated CCTV control system which will strengthen the security of personal image information and improve consumer protection. This advanced system uses state-of-the-art hacking prevention technology, an upgraded certification system, and a mirroring function which enables data recovery in case of a system failure. This system will be actively used to ensure the security of personal information, to prevent financial crime, and to protect clients at our business sites.



Sustainability Highlights



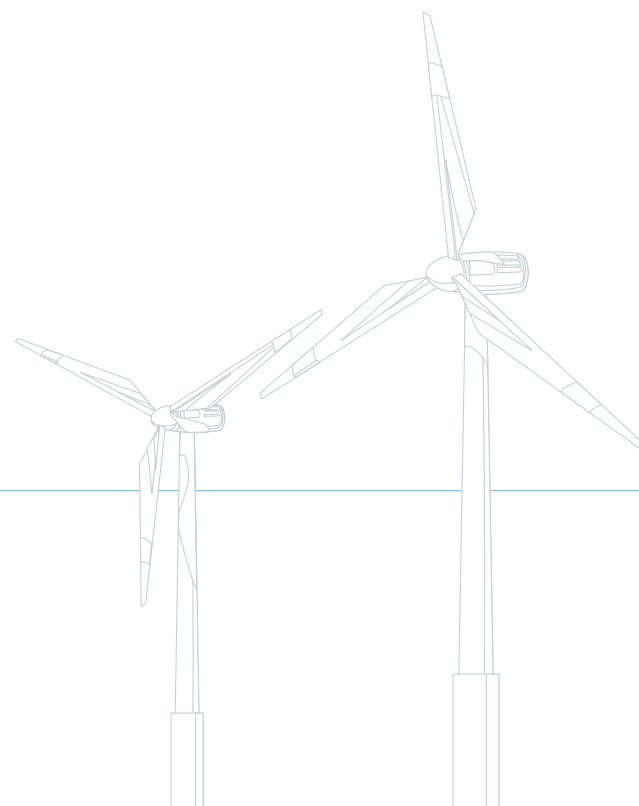
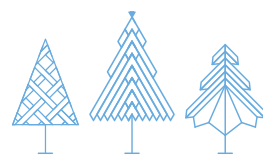
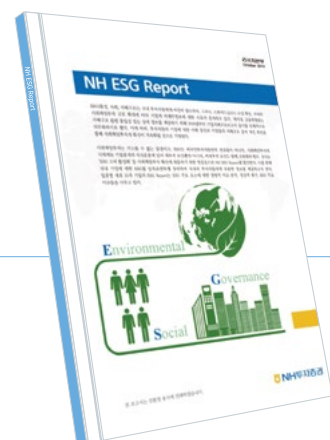
SUSTAINABLE FINANCE

Invested in one of the largest wind power plants in Europe

In March 2019, NHIS and NH-Amundi Asset Management invested a 50% stake of the Överturingen Wind Power Plant in Sweden through Capman Infra, a European asset management company. The generation capacity of the Plant is 235MW, making it one of the largest wind farms in Europe, and it is able to supply eco-friendly electric power to nearly 265,000 households once construction is completed. NHIS is responding to climate change by making direct investments into eco-friendly projects, and also by providing financial advisory and underwriting services for such projects. In addition, we offer a wide range of financing solutions which are helping to preserve the ecosystem.

Became the first securities firm in Korea to publish an ESG Report

NHIS has been conducting corporate analyses based on environmental, social and governance (ESG) factors since June 2019. Our first analysis subjects were 15 companies that represent major industries in Korea, including SK, POSCO, LG Chem, Hyundai Motor Company, Samsung Electronics, and SK Telecom. In October 2019, we are the first securities firm in Korea to publish a 357-page ESG Report in both Korean and English. By leveraging the expertise of the analysts at the NHIS Research Center, we will continue to increase the volume and depth of our ESG corporate analyses.



Creating Shared Value Story

NHIS strives to fulfill its roles and responsibilities as a sustainable company and is determined to grow in a sustainable manner. We pursue client-centered management which takes into account the value of the process that took to reach the utmost outcome, as well as results. We are also creating social value that we can share with all our stakeholders. In 2019, we have added innovation to our commitment to creating shared value (CSV) by setting out a new brand vision and publishing the industry's first ESG Report, while at the same time, continuing to support farming community support activities, amplifying positive social impacts.

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Creative Value

CSV Stories of NHIS

Investment should be process-oriented, pursuing abundance and affluence, and not just a results-oriented act in pursuit of higher rates of return. Our new brand vision of "Investment, Becomes a Culture" will lead us to establish our brand image, to drive comprehensive changes in our investment culture.

Jeong Young-Chae CEO of NHIS

After publishing the ESG Report, we undertook ESG marketing in Korea and overseas, including the ESG Day Forum. We reaffirmed the importance of ESG at meetings with overseas institutional investors, and used the ESG Day Forum to raise awareness of the importance of ESG among Korean companies.

Park Kyung-Hwan General Manager, Research Division of NHIS

As a member of NH Financial Group, NHIS has a mission to contribute to the development of Korea's key agriculture industry, and also to the well-being of individual farmers and their families. In line with the sharing management of NongHyup, we will enhance exchanges and cooperation between urban and rural communities, in addition to continuing to implement our long-established support programs, in order to encourage the joint development of communities throughout Korea.

Jeong Young-Chae CEO of NHIS

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Investment, Becomes a Culture

NHIS is a comprehensive financial services company, and leads Korea's capital markets thanks to the steady growth achieved since its merger with Woori Investment & Securities in 2014. However, its brand awareness and brand characteristics towards public were rather low compared to its topmost stature within the securities industry.

The year 2019, which marked the company's 50th anniversary, presented NHIS with the opportunity and requirement to establish a unique identity and consistent communication strategies. In the meanwhile, we focused on the fact that more and more clients seek for comprehensive advice from a single relationship and a financial company which can serve as an indispensable partner over clients' entire financial lives. Also, employees appreciate clients as partners whom we help with their connected priorities, not as merely a source of income. With the help of brand marketing experts, we collected the opinions of clients and employees in order to set out new brand strategy goals and a brand vision.

INVESTMENT
 CULTURE
 CREATOR
 BE THE CREATOR

BRAND VISION

In order for investment to enrich daily life by becoming an accustomed and uncomplicated activity, investments need to be integrated into an investment culture, and NHIS must think and move beyond just being experts and become cultural creators. We therefore established our brand vision as "Investment Culture Creator", to be able to holistically address and bond our everyday and harness all of our resources designed to meet our clients' needs.

BRAND SLOGAN

NHIS has created and make use of a separate internal slogan to drive changes within the company, while at the same time publicizing the new brand vision outside the company. The external slogan is "Investment, Becomes a Culture", while our internal slogan is "Be the Creator", which reflects our determination to create a new investment culture.

투자 문화가 되다

“Beginning with the Talk Concert to declare our new brand vision on May 10, 2019, we are undertaking a wide range of internal and external activities to publicize our new vision.”

No Yu-Mi Manager, Corporate Strategy Department of NHIS



BE THE CREATOR

NHIS is running brand campaigns to enable all employees to participate in bringing about change. We designed four posters which use employees as models to encourage our personnel to become more interested in change and creative activities. We also ran an essay contest and Hof Day as a means for employees to express their individuality and take part in the brand vision. In addition, we set up the "Thanks Creator" campaign to encourage employees to give thanks and complement each other, thus creating a more positive working environment.

In order to internalize the brand vision, a space in front of the auditorium at the headquarter building was redesigned and rebuilt as a new space, called "Creator Lounge", in which employees can use it for relaxation or hold meetings. We used design motif of our new brand vision in creating the new space, and we also produced and distributed stationery embodying the brand motif, so that employees are friendly reminded of the new brand vision during their working day.





ANYONE CAN INVEST

We are conducting various activities to ensure that “investment” becomes a “culture” which enriches life. Our “Anyone Can Invest” ad campaign in the first half of 2019 sought to communicate that investment is for anyone and everyone, and that we are now living in an era in which investment can naturally smear into our culture.

We also carried out brand experience marketing in parallel with our ad campaign. We ran the “Restaurant of the season”, a pop-up gourmet restaurant which created healthful food with in-season ingredients, for two months beginning in June 2019. With a menu and interior décor which used the design motif of the new brand vision, clients who visited the restaurant were able to gain experience of the new brand. The restaurant was visited by some 700 clients, and was also publicized through social media channels and press releases, thus helping to share our efforts to make investment into a culture. In addition, the “Table in-season” popular television show was produced at our “Restaurant of the season”, which also helped to disseminate our brand vision.

CONTINUING TO CREATE BRAND VALUE

Following the launch of Restaurant of the season, we plan to open the “Culture Salon” as our second brand experience promotion in the first half of 2020. The Culture Salon will be a culture experiencing teahouse which offers an experience of encountering one’s goal in life through various culture-learning classes, such as tea, coffee and wine that will be open to all. At the same time, we will hold an ad campaign based on the Culture Salon in order to deliver a consistent message.

Our goal for the second half of 2020 is to launch financial products and services that embody our brand vision. This will enhance our unique identity, and continue to improve awareness of the NHIS brand.

SPECIAL INTERVIEW

Story of the Birth of NHIS’ New Brand Vision



Why does NHIS strive to evolve into an Investment Culture Creator?

NHIS’ brand was only the sixth or seventh best-known in the Korean securities industry. Our new brand strategy will enable us to increase brand awareness over the long term, and will improve relationship with clients by increasing point of contacts with them at sales sites. A vital part of the strategy is that we are striving to transform the company’s identity from the core, rather than simply communicating our message to clients through ads. This means that we are adopting a new corporate system, organizational culture, and methods of communications.



Lim Gye Hyun
CFO,
Head of Corporate
Strategy Division,
NHIS



What does the new slogan, “Investment, Becomes a Culture”, mean?

The new slogan means that the era in which we are living has changed, and therefore investment must also be changed accordingly. Financial activities in the past mainly focused on savings or simple investment, but we are now living in an era in which savings alone cannot assure one’s future. As a result, everybody needs wealth management to live pleasantly. Wealth management has become as important as health management, but many people are still reluctant to appreciate the importance of wealth management in an enjoyable life.

In the past, investment tended to be somewhat speculative. Moving forward, however, people must manage their wealth according to their individual goals, lifestyle, and income. People used to have three simple meals a day to get off the hunger, but now prefer to make enjoyable gourmet selection at a star chef’s restaurant to appreciate one outstanding meal. Our lifestyles have completely changed, and likewise, how we invest must change.



What value can be gained from the new brand vision?

The new brand vision will serve as an opportunity for employees, clients, and the company to transform entirely. With increased brand value comes a stronger sense of pride for our employees. It also enables us to create more value for our clients, and thus to increase substantially the number of client contact points at our sales sites.

I believe that anyone who is just starting out on a career should search for a chance of financial training. There are substantial differences between the investment techniques learned during one’s school days and ones needed when one begins to earn income. However, many people find it uneasy to change the financial habits they learned when they were young. This is one reason why some people regard investment in stocks or funds as speculative financial techniques to increase asset. Also, there are many people who are unaware of what a CMA account is.

Young people should experiment with various investment techniques when they have spare money, and find a wealth management method that suits and feels comfortable for them. I would like to see the creation of a culture in which investment experiences like these build up over time – someone who thinks deeply about investment, even for just a day, will enjoy substantial benefits a decade later compared to someone who has never thought properly about the wealth management.

ESG-Check Intelligence

With the adoption of stewardship codes and increasing volume of socially responsible investments at home and abroad, there has been rising demand not just for corporate financial information, but also for non-financial information which is the evaluation standard of environmental, social and governance (ESG) criteria.

Efforts in this area, including the issuing of sustainability reports, are mainly being led by large corporations, but these disclosures are currently only voluntarily made. The Financial Services Commission has therefore decided to oblige companies¹⁾ to issue a corporate governance report in a phased manner, beginning in 2019, with the goal of enhancing investors' understanding of companies, and promoting qualitative improvements in governance.

In line with this trend where the importance of socially responsible investments has been increasing, the Research Division of NHIS published the "NH ESG Report" in October 2019, the first of its kind in the Korean securities industry. Available in Korean and English, the Report provides vital information to investors at home and abroad by setting out the ESG status of major Korean companies in detail. We have also expanded our analysis of ESG bonds that many companies have been particularly interested in recently.

Composition of the ESG Report

After collecting and analyzing data from 161 domestic companies which were obliged to publish a corporate governance report, NHIS selected 15 companies with the highest market capitalizations in their respective industries, including SK, POSCO, LG Chem, KEPCO, Samsung Heavy Industries, Korean Air, Hyundai Motor Company, Samsung Electronics, Samsung SDI, Samsung Electro-Mechanics, SK Telecom, Kangwon Land, Yuhan, Shinsegae, and Kolmar Korea. We then undertook a detailed quantitative and qualitative evaluation of each company's ESG status. The Report contained information on the major issues driving each company's ESG governance, as well as on social and environmental policies and the potential direction of change in the future.



¹⁾ Companies with total assets of no less than KRW 2 trillion



ESG Intelligence of NHIS

The Research Division has an industry-leading expertise and analyzes industries and securities markets in Korea and overseas. It also provides extensive analysis and information on other areas which are of interest to investors, including company analysis, bonds, quantitative analysis, economies, foreign exchange rates, derivatives, credit, commodity, alternative investments, exchange traded funds, and asset allocation.

In particular, it is concentrating on strengthening its global research competitiveness, and provides investors with a greater range of product groups by publicizing research materials on analyses of securities and bond markets in both developed economies and emerging markets. In 2019, NHIS Research Division expanded its alliances with global research houses, including Huatai Securities in China, the Development Bank of Singapore, and other research houses in the Americas and Europe. These alliances enable NHIS to share a wider range of investment information and thus to generate greater quality and depth of analysis, as well as to stay in line with trends of global research houses.

The Division will continue to lead the market by making its ESG analysis systems more advanced and detailed, and will also expand its business scope with other divisions within the company and corporate investors. The ESG Report will be further improved as well by increasing the number of companies to be analyzed; upgrading its analysis systems; nurturing professional analysts in areas such as governance and the environment; adding pages that focus specifically on the environment; and publicizing the Report biannually.



Another Town

As a leading financial institution in Korea, NHIS is committed to address social and ethical responsibilities including philanthropy and employee volunteerism to build strong communities. In November 2010, we created the CSR (Corporate Social Responsibility) Department directly under the CEO, focused on three core themes of dream, hope and future. With the slogan “Bright World, Together with Us”, we have been undertaking continued and varied social contribution activities participated by employees.

Launched in 2016, the “Another Town” campaign is one of our flagship social contribution activities. This pan-NongHyup urban-rural innovation program provides practical support to farmers to navigate significant events and times due to the aging population of farming communities. The CEO and senior executives of NHIS are appointed as honorary town representatives, and employees give a helping hand during the busy farming season, and take part in other volunteering activities as honorary town residents. Since 2017, NHIS has offered financial products to support farmers called “Farm-Love”, with a portion of revenues from these products being used to offer farmers direct support in times of need.

Another Town – a New Model of Urban-Rural Cooperation

NHIS does not just give a helping hand during the busy farming season – we also provide practical help to towns including support for long-cherished projects and for markets where farmers can market their fresh produced goods directly to consumers. These urban-rural exchanges help to share information and culture throughout the nation, and are contributing to the revitalization of regional communities.



In 2019, we hosted the “Another Town” campaign on 32 occasions. The number of town visits was 67, with participation by 1,661 employees and a participation rate of 55%. At least one additional town will be included in our campaign in 2020. In addition, we hosted the “Another Town Market”, enabling employees to purchase high quality farm produced goods at affordable prices directly from farms and increasing income for farmers. This also offers an aid to increases income for farmers. There were two such markets in 2019, in January and August, with a total of around KRW 70 million worth of fruit being sold.



(Above) Another Town
(Below) Another Town Market

When we make visits to farming villages to give a helping hand, we donate televisions, refrigerators, air-conditioners, and various other items to community halls. In 2019, we began a support program to provide electric induction ranges in partnership with NongHyup Foundation. The town gas supply rate in farming communities is around 50%, and, in particular, the town halls and senior citizen centers in small towns mostly use liquefied petroleum gas. In 2019, we donated approximately 400 electric ranges to reduce inconvenience and increase safety towards farming villages, and we plan to expand this program every year in the future.

Volunteering Activities for Farming Villages

189 Town visit (cumulative)
4,953 Participant (cumulative)

Classification	Unit	2017	2018	2019
Town visit	Occasion	51	71	67
Participant	Person	1,571	1,721	1,661



Business Value

- Identifying and applying a wide range of ideas to create the fundamental business value of a financial company
- Offering financial products with a portion of revenues from products sales being used to support farmers
- Running a crowdfunding project which enables investors to buy healthy food at an affordable price, and also allows farms to add a direct sales channel



Social Value

- Participating varied activities aimed at easing the burden of farming villages; and raising funds for, and taking part in rescue activities following natural disasters, including heatwave, typhoon, and forest fire
- Taking part in activities which help the aging population in farming villages, including free longevity photographs
- Taking part in disease and drought recovery; and raising funds to undertake sharing activities with farming villages (ex. employee luncheon event to promote chicken consumption)

Shared Value Created through Win-Win

Scholarships for students in farming villages We have a scholarship system in place through which we select 40 outstanding high school students annually from low-income families in farming villages that have fallen through the social welfare safety net, and covers all of their school expenses, including tuition, school operating fees, and meal services.

Free longevity photographs We have been running a free longevity photographs program for citizens aged 65 and over since 2018, aimed at seniors in farming villages who find it difficult to take pictures handily. Professional photographers accompany our visits to take the pictures, and we also offer help with putting on make-up, making prints of the pictures, and then framing them. This program has received a very positive response from senior citizens.

Employee participation in disaster recovery When a large forest fire hit swathes of rural Gangwon Province in April 2019, resulting in the area being declared a special disaster zone, NHIS raised KRW 200 million in voluntary donations from its employees. In addition, some 90 employees visited the area, helping to get rid of waste from the fire and then organizing the necessary environmental improvements.

In September 2019, we visited Paju in Gyeonggi Province, which had been damaged by Typhoon Lingling, and helped the local community restore vinyl greenhouses. Our employees also gave a helping hand in conducting quarantine activities in the areas affected by avian influenza in 2016, and took part in drought damage recovery activities in 2017. In 2018, we held a luncheon event where employees enjoyed chicken soup to support poultry farmhouses.



Sustainability Governance

Being a great place to work with a solid governance system is another driver of sustainable and responsible growth for NHIS. Based on our sustainable governance, we engage in active dialogue with our shareholders, and we prepare for a better tomorrow by looking at NHIS of today. In particular, we publish a sustainability report as one of our most important channels of dialogue, while solidifying our governance for sustainable management to meet aspirations of our shareholders.

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Sustain Gove

Active communication with a wide range of stakeholders to embrace diverse opinions is the core activity of the sustainable management in NHIS. We run different communication channels with our stakeholders, which directly and indirectly impact business activities, and continue to diversify stakeholders' communication channels for the building of sustainable growth.

Kim Mili General Manager, Financial Planning & Control Department of NHIS

Stakeholder Communication Channels of NHIS

- Website
- IR activities
- Shareholders meetings
- Public announcements
- Periodic reports

Shareholders and investors

Government and related organizations

- Press releases
- Meetings and conferences
- Policy proposal

Clients

- Website and social media
- Client satisfaction surveys
- Voice of Clients (VOC)
- Investment-related presentations
- Centenarian Age Life College/ Academy
- Sales desks at branches

Local communities

- Volunteer groups within the company
- Another Town
- Website and social media

Employees

- Employee surveys
- Employee discussions
- Labor-Management Council
- Intranet
- Organizational culture campaign

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Corporate Governance



NHIS has an independent governance structure in place to ensure continued growth of the company and to protect the rights and interests of its shareholders. Composed of nine members – two internal, five outside, and two non-executive directors – the Board of Directors (BOD) of NHIS conforms to all requirements set forth in law and in the company's Articles of Incorporation. The Board is the most important decision-making body in NHIS, deciding on major matters of management which are entrusted to it by the annual general shareholders' meeting.

It is required that outside directors comprise at least a majority of the total number of directors, and that the Board's chairperson should be appointed from among outside directors. This ensures the independence of the BOD as the company's top decision-making and authorization body, and enables it to perform its functions of checks and balances. To ensure transparency and fairness in appointing directors, the Director Nomination Committee undertakes a detailed assessment of the qualifications stipulated in relevant laws, including a candidate's expertise, job fairness and integrity, and then recommends qualified candidates, followed by the appointment of a director through an approval by the Board and a decision made at the annual general shareholders' meeting.

Composition of the BOD

NHIS recommends director candidates with professional expertise and experience in diverse areas of business, including finance, economics, management, law and accounting. The company also strengthened its qualification requirements according to the "Internal Standards on Governance", including rigorous assessments of an outside director's expertise and fairness, to ensure a more impartial and transparent process in the appointment of outside directors. As of the end of March 2020, two directors are experts in financial system, two in management, four in finance, and one in law.

According to NHIS' Articles of Incorporation, a director serves a two-year term and may be reappointed. An outside director can serve up to six years, or up to nine years including tenure at an affiliated company, in accordance with the relevant laws. These longer terms for outside directors are to alleviate concerns that a shorter term could hinder responsible management and run the risk of pursuing short-term profits. To promote the stable growth of the company and to support efficient decision-making, we have four sub-committees in place – the Director Nomination Committee, the Audit Committee, the Risk Management Committee and the Compensation Committee. The Board determines the establishment and operating procedures of these committees, the appointment and dismissal of their members, and the functions of each committee, among other matters.

BOD Composition

Classification	Name	Age	Gender	Note
2 Internal directors	Jeong Young-Chae	56	Male	Chairman & CEO
	Im Byeong-Soon	60	Male	Standing Auditor
5 Outside directors	Jeon Hong-Yul	72	Male	–
	Park Sang-Ho	69	Male	–
	Park Cheoll	61	Male	–
	Hong Seuk-Dong	66	Male	–
2 Non-executive directors	Jeong Tae-Seok	65	Male	–
	Lee Jeong-Dae	67	Male	–
	Kim Hyung-Shin	57	Male	–

* As of March 31, 2020

BOD Activities

Meeting No.	Date (in 2019)	Agenda item	No. of outside directors attended (total possible)
Extraordinary #1	Jan. 31	Approval of financial statements (draft) and business report (draft) of the 52nd financial year and 1 other	5 (5)
Extraordinary #2	Feb. 27	Approval of adoption of an electronic voting system (draft) and 8 others	5 (5)
Regular #1	Mar. 12	Resolution to convene annual general meeting of shareholders and 9 others	4 (4)
Extraordinary #3	Apr. 4	Appointment of BOD chair and outside directors and 4 others	5 (5)
Regular #2	Apr. 25	Briefing on business performance of the first quarter of 2019 and 5 others	5 (5)
Extraordinary #4	Jun. 5	Briefing on resolutions of the Compensation Committee and 3 others	5 (5)
Extraordinary #5	Jun. 27	Approval of head office building sale and lease-back lease tenancy (draft) and 2 others	5 (5)
Regular #3	Jul. 26	Approval of internal control regulation amendment (draft) and 3 others	5 (5)
Extraordinary #6	Aug. 29	Briefing on appointment and dismissal of Division Head Officer and 1 other	5 (5)
Extraordinary #7	Sep. 10	Approval of NH Futures capital increase (draft)	5 (5)
Extraordinary #8	Sep. 30	Approval of transaction with affiliates (draft)	5 (5)
Regular #4	Oct. 31	Approval of ceiling on issuance of derivative linked securities/bonds in 2020 (draft) and 2 others	5 (5)
Extraordinary #9	Nov. 28	Approval of 2020 business management plans (draft) and 2 others	4 (5)
Extraordinary #10	Dec. 26	Briefing on organizational restructuring and changes to segregation of duties and 5 others	5 (5)

Committees under the BOD

Name	Members	Activities and responsibilities
Audit Committee	1 Standing auditor 2 Outside directors	Refer to "Matters regarding the Audit System"
Director Nomination Committee	4 Outside directors 1 Non-executive director	1. Nominate director candidates to the general shareholders' meeting 2. Oversee matters related to nominating director candidates
Compensation Committee	3 Outside directors 1 Internal director 1 Non-executive director	1. Oversee management's performance evaluation and compensation 2. Determine compensation for management and payment method 3. Oversee calculation of compensation for finance investment personnel and payment method 4. Oversee creation of annual reports and public announcements on compensation payment for management and finance investment personnel
Risk Management Committee	3 Outside directors 1 Internal director	1. Establish basic risk management policy and strategies and set risk levels 2. Set and allocate corporate-wide risk capital limits 3. Set or approve corporate-wide limits on investment and loss 4. Enact, amend, revise, and abolish Risk Management Council regulations, risk management regulations, Collective Investment in Funds Risk Management Council regulations, collective investment in funds risk management regulations, and other risk management-related company regulations that require the Committee's decision 5. Set various limits that have a potential of financial burden and give approval in the event of a reason to exceptionally exceed the limit 6. Set a principle limit on interest rate levels of principal and interest-guarantee products that the company can provide in relation to retirement pension product sales, and give approval for products that exceptionally exceed the limit 7. Extend the disposition deadline for more than three months in case of excess of the risk limit related to conditional Backstop block sales 8. Oversee structure and division of work in the risk management organization 9. Oversee matters concerning the risk management information system 10. Other matters delegated by the BOD or matters acknowledged as necessary by the Committee

Stakeholder Engagement



Operation of the BOD

Holding of BOD meetings and major decisions

In 2019, 14 BOD meetings were convened, with an average director attendance rate of 95%, and the Board deliberated and voted on 65 agendas. Board agendas are shared before the Board meeting is held, so that directors have sufficient time to review the items in detail. If required, relevant employees provide additional explanations regarding agenda items, thus helping directors to make the most informed decisions possible. At the regular quarterly Board meetings, directors are briefed on the company's management performance and discuss important pending matters.

In 2019, thanks to their diverse professional backgrounds, the Board directors were able to undertake in-depth discussions and make strategic decisions on important matters relating to the company, including approval for the 2020 business plan. With regard to ESG issues, the BOD reviewed the investment plans in new and renewable energy, including wind power plants. Also, the company's business and management plan presentations are shared with diverse stakeholders along with regular publication of NHIS sustainability report.

BOD Operations

	2017	2018	2019
No. of agenda items	63	70	65
No. of BOD meetings	14	14	14
Participation rate (%)	Internal directors	89.3	89.3
	Outside directors	96.4	95.7
	Non-executive directors	100.0	92.9

Evaluation and Compensation of BOD

Regulations regarding BOD evaluation

NHIS regularly assesses whether the BOD is properly fulfilling its roles and responsibilities as set forth in related laws and internal regulations. To this end, we conduct a BOD evaluation at least once a year so that the BOD can be fully established itself as a sound organization that makes essential decisions and oversees executive management addressing key business assessments. Evaluation criteria consist of roles and composition of the Board as well as independence and appropriateness of BOD operations.

BOD's roles and compositions are evaluated based on fair and sound performance of duties toward shareholders and financial consumers, as well as oversight of management's activities and proper request of information for supervision. Independence and appropriateness of BOD operations is evaluated based on the appropriateness of the number of BOD meetings held, the actual holding of discussions, the provision of materials and explanation about the BOD agenda items, and other matters. BOD evaluations include reviews of BOD meeting minutes and questionnaires filled out by all of the directors. The department that acts as the BOD secretariat gathers the related materials and presents the evaluation results to the BOD.

Executive evaluation and compensation system

Internal directors are evaluated through a resolution by the Compensation Committee based on the annual management goal, KPI achievement, and other factors. The Compensation Committee deliberates whether the compensation system is in harmony with the risk system, and examines the compensation system and financial circumstances as well as connection with risks.

Evaluations on outside directors and non-executive directors are based on a multifaceted evaluation that uses a self-evaluation, mutual evaluation, and employee evaluation method through surveys, and their participation in board meetings and committee meetings. We plan to receive evaluations from external organizations for outside directors whose term of service is two or more years after a thorough review to make sure if the organization is properly qualified.

NHIS identified its stakeholder pool as groups or individuals with whom it directly and indirectly communicates, and gives and receives impact in the process of running a sustainable business according to ISO 26000 – an international standard on social responsibility. Depending on the legal, financial and operational responsibilities and impacts, we selected employees, clients, government and related organizations, shareholders and investors, and local communities as our major stakeholder groups.

Stakeholder Communication System

Stakeholder	Communication channel	Frequency	Issues of interest	Actions taken
Shareholders and investors	Website	Year-round	<ul style="list-style-type: none"> Profit structure, dividend policy Enhancement of stock value Investor protection Efficient corporate management Distribution of profits Sound corporate governance 	<ul style="list-style-type: none"> Regular risk assessments and adjustments Market exploration and portfolio enhancement Transparent disclosures Review of management's performance evaluation and compensation policy
	IR activities	Year-round		
	Shareholders meetings	Once a year		
	Public announcements	Year-round		
Government and related organizations	Major periodic reports	Quarterly	<ul style="list-style-type: none"> Stable growth of financial markets Taxes Compliance with laws and regulations Participation in government policies 	<ul style="list-style-type: none"> Regular compliance monitoring and reporting Tax payment Ethical management training
	Press releases	Year-round		
	Meetings and conferences	Year-round		
Clients (corporate/individual)	Policy proposal	Year-round	<ul style="list-style-type: none"> Differentiated financial products Accurate financial information Convenient services Client data protection Handling of client grievances 	<ul style="list-style-type: none"> Improvement of IT platform and digital services Improvement of the grievance handling process Development of financial products and services tailored to clients Development and facilitation of communication channels
	Website and social media	Year-round		
	Client satisfaction surveys	As needed		
	Voice of Clients (VOC)	Year-round		
	Investment presentations	Frequently		
	Centenarian Age Life College/Academy	Twice a year /monthly		
Sales counter at branches	Year-round			
Employees (including labor union)	Employee surveys	As needed	<ul style="list-style-type: none"> Work-life balance Welfare system Expertise development Fair evaluation and compensation Horizontal communication 	<ul style="list-style-type: none"> Development of bespoke programs to strengthen capabilities Corporate culture innovation Various welfare benefits
	Employee meetings	As needed		
	Labor-Management Council	Quarterly		
	Intranet	Year-round		
Local communities	Organizational culture campaign	Monthly	<ul style="list-style-type: none"> Investment in local communities, job creation Social contribution activities 	<ul style="list-style-type: none"> Volunteering, support for farming villages Donations, scholarships
	Website and social media	Year-round		
	Another Town	Year-round		

Material Issues



Material issues of NHIS were chosen in consideration of business impact and social interest of core subjects of social responsibility defined in ISO 26000.

Materiality Analysis Process

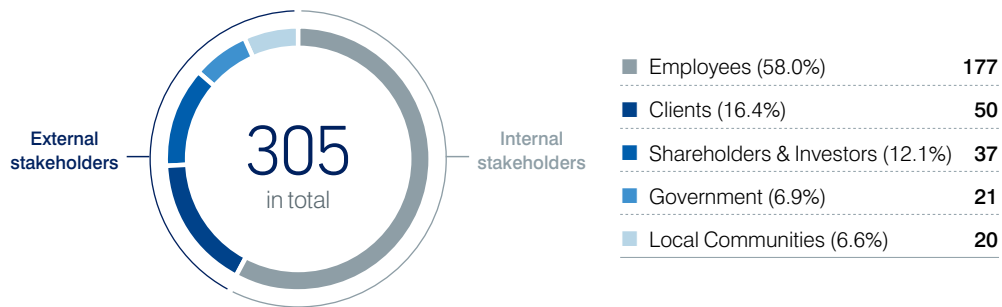
- ¹⁾ UN Sustainable Development Goals: Universal call to action to achieve sustainable development adopted by all United Nations Member States in September 2015
- ²⁾ Global Reporting Initiative: Global standards for sustainability reporting
- ³⁾ Integrated Reporting: Integrated reporting framework set by the International Integrated Reporting Council

In order to select material issues, we quantified the global community's level of interest and the business impact of social responsibility issues, that are regarded as important by diverse stakeholders, by using a five-score scale and tallied them.



The level of social interest was measured in consideration of the degree of media exposure of each issue, benchmarking of the securities industry and market leading companies, and such global guidelines as UN SDGs¹⁾, GRI²⁾ and IR³⁾. We also conducted a survey to a total 305 internal and external stakeholders to measure the impact of social responsibility issues defined in ISO 26000 on our business.

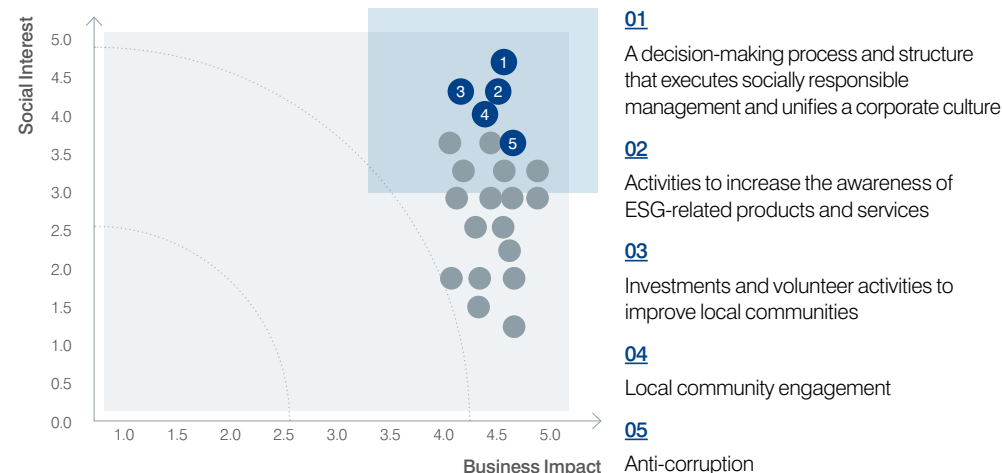
Composition of Stakeholder in Measuring Business Impact



Results of Materiality Assessment

"A decision-making process and structure that executes socially responsible management and unifies a corporate culture" was selected as the most important issue for NHIS' sustainable management. Of the seven core subjects defined in ISO 26000, all other social responsibility issues, excluding "the environment", were chosen as material issues of NHIS.

Materiality Matrix



Aspirations of Stakeholders

Reporting of Material Issues

Subject	Material Issue	Boundary	Topic	Page
Organizational governance	A decision-making process and structure that executes socially responsible management and unifies a corporate culture	Internal & external	• Risk Management • Stakeholder Engagement	P. 24-26 P. 20
Consumer issues	Activities to increase the awareness of ESG-related products and services	Internal & external	• ESG-Check Intelligence • Responsible Financing	P. 16 P. 33
Community involvement and development	Investments and volunteer activities to improve local communities Local community engagement	Internal & external	• Another Town • Sharing Management • Social Performance	P. 17 P. 36 P. 41
Fair operating practices	Anti-corruption	Internal	• Social Performance	P. 39

* Criteria to select material issues: Top 15% of pool

While conducting a survey to measure business impact, we provided a space where diverse stakeholders could share their opinions freely. We collected stakeholder opinions on roles that we should actively perform to fulfill our social responsibilities and continue to grow.

Stakeholder	Aspirations
Clients	<ul style="list-style-type: none"> • I hope NHIS becomes a company that fulfills social responsibilities as much as it grows. • I would like to see more training that is intended to change employees' perception. • I would like NHIS to prioritize client-centered perspective at all times.
Shareholders & Investors	<ul style="list-style-type: none"> • I would like NHIS to strengthen employee competitiveness while ensuring a distinctive compensation policy and flexibility in employment opportunity. • I would like NHIS to develop financial products that create synergy with shareholders and investors. • There is a need to strengthen financial consumer protection. • Since human resources are assets of a financial company, it should make continuous efforts to retain talented employees.
Government	<ul style="list-style-type: none"> • Please consider developing various financial products related to ESG. • It would be better to expand CSR activities. • Wouldn't it be important to focus more on providing fundamental services that are in line with investment purposes? • The top priority of a financial company should be wealth management of its clients.
Employees	<ul style="list-style-type: none"> • In this aging society, we should develop products and services for seniors. • It is important to execute mid- to long-term strategies aimed at achieving sustainable management. • It is important to take an interest in socially responsible management, just like the company is doing now. • Employee integrity is an important measure. • As a member of NongHyup, NHIS should contribute to the development of farming villages. • Employee reverse discrimination should be prohibited. • I would like to see the strengthening of fair evaluations in personnel affairs and prohibition of discrimination among employees to facilitate organizational culture. • I would like NHIS to strengthen social responsibilities and personal information protection, and to reinforce employee privacy protection. • It is important to make the organizational culture flexible and to make it mature for employee training, employment, and value creation. • NHIS is strengthening the basis for process value management, which should be steadily developed. • It is important to provide follow-up management and services for responsible financial products. • NHIS should regard women's roles as being important to become a top-tier company by securing women's social status and guaranteeing equality.

Sustainability Impact

NHIS recognizes its economic, social, and environmental impact as a company that grows in partnership with its stakeholders, including clients, shareholders and investors, and as a good corporate citizen within our local communities. That is why we ensure to grow in a sustainable manner with an ethical mindset and systematic risk management. We continually search for better means and new opportunities to build upon our work in sustainable finance with a positive influence on the society we operate while aligning all of our capabilities to support environmental preservation.

Value Creation Approach

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Global Citizenship

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Responsible Service Leadership

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Sustain Impact

Sustainable Impact Created by NHIS ●

Value Creation Approach

- Ethical Management
- Risk Management
- Business Innovation Strategy

Responsible Service Leadership

- Client Orientation
- Responsible Financing

Global Citizenship

- Human Rights & Human Resources
- Impact on Local Communities

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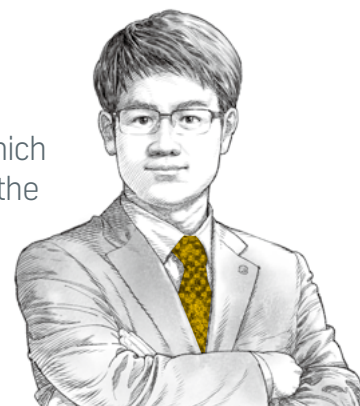
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Value Creation Approach

NHIS runs a wide range of ethical management programs in order to build a culture of integrity and ethics.



“ NHIS takes all the necessary measures to minimize the risks to which we may be exposed in the process of meeting our performance targets.



Lee Sun Young
General Manager,
Risk Management Department

We ensure efficient measurement and management of risks so that we can deliver optimal results under given potential resources. We therefore perform risk assessment from various angles to identify and assess risks not fully captured in our forecasts or stress tested.

472 cases

Conducted credit assessment on cases that accompany credit risk



3 times

Operated a special period for internal whistleblowing

Management Approach

APPROACH

We make sure that our code of ethics provides a framework for all of our employees to conduct themselves with the highest integrity. In addition, our systematic risk management is substantially improving our business, supported by the diverse activities we undertake in order to assess business trends and seize the consequent opportunities.

MATERIAL ISSUES

- Anti-corruption
- Local community engagement

ACHIEVEMENT

- Conducted an executive staff integrity evaluation
- Operated a special period for internal whistleblowing: 3 times
- Participated in the Anti-corruption & Integrity Activities Task-Force-Team (Financial Supervisory Service)
- Conducted credit assessment on a total of 472 cases (transaction size of KRW 37.5 trillion) that accompany credit risk
- Increased efficiency of managing the exposure limit of counterparties
- Received the Grand Prize at the Financial Investment Category in thebell Risk Manager Awards

FUTURE

- Conduct activities to improve ethical management mindset through voluntary participation of employees
- Enhance the level of training satisfaction by diversifying ethical management content
- Provide ethical management training to the management to fully establish a culture of leading by example
- Support efficient asset allocation strategies
- Enhance overseas/alternative asset evaluation capabilities
- Build an audit work system

LINK WITH UN SDGs



Ethical Management



Ethical Management Organization

NHIS is committed to establishing an ethical corporate culture and practicing ethical management. We have established the Ethical Management Committee, chaired by the CEO, responsible for the comprehensive management of decisions and evaluations on ethical policy. The Ethical Management Secretariat assists the Ethical Management Committee.

The Ethical Management Secretariat establishes and implements plans for ethical management, provides ethical management training to employees, makes ethical management proposals, operates the Whistleblowing Center, and evaluates the status of the company's ethical management. It supports the Compliance Officer and the Ethical Management Committee, and it also evaluates the appropriateness of the ethical management system at least once a year, and reports the results to the Ethical Management Committee. This establishes an environment in which NHIS employees observe all laws based on a strong foundation of ethics, and company leaders practice transparent and responsible management.

Rules on Ethical Management

NHIS has established a Code of Ethics in place in order to define ethical management pursued by the company. It has also established the Professional Conduct, a set of detailed guidelines based on the Code of Ethics for each job function, thus enabling all employees to understand the ethical standards. The Professional Conduct stipulates employee obligation, impartial execution of duties, prohibition of accepting undue profit, establishment of a healthy corporate culture, and measures to be taken in the event of a violation of the guidelines. The Conduct represents NHIS' official regulations on ethical standards, with disciplinary action taken against employees who violate these regulations.

Ethical Management Practice Programs

Every January, all employees of NHIS voluntarily submit the "written oath to practice ethics", "written oath to comply with law", "written oath to observe employee trading regulations", and "written oath to comply with the Improper Solicitation and Graft Act", as part of joint efforts being made by the company and its employees to adhere to the highest standards of integrity and credibility. Employees in charge of construction, outsourcing, and purchasing contracts are subject to sign a "written oath to act with integrity in the signing of contracts" twice a year. In addition, all employees conduct "self-assessment on ethical mindset" once a year and the results of such assessment are used to make necessary revisions to the company's ethics initiatives.

We encourage employee participation by sharing stories on the positive impact of ethical management and having ethical management quizzes through such campaigns and events as "All-Together Ethical Management", "Making Ethical Management a Part of Daily Life", and "Online Golden Bell on Ethics and Compliance" in our efforts to spread a culture of integrity. The pan-NongHyup "Corporate Ethics Day" is held on June 2nd every year, at which time an integrity campaign is held in support of sound corporate ethical management. November 2nd is the pan-NongHyup "Day of Ethical Management and Integrity", with events being held to strengthen our determination to practice ethical management.

Whistleblowing Channels

We operate a whistleblower system that allows employees to report the violation of regulations, corruption, fraudulent conduct, misconduct, and/or wrongful actions, and all the whistleblower reports are kept strictly confidential and anonymous. The system is available for use by employees, clients, counterparties, and other stakeholders to report the company or its employees.

We institute a mandatory internal whistleblower period twice a year. In order to boost ethical mindset, the Whistleblowing Center designs stick-poster containing a QR code to access Whistleblowing Center website, actions which should be reported, and information on how whistleblowers and the details of their reports will strictly remain confidential. The stick-poster is distributed in the headquarter office and all branches at easy-to-see locations, thereby increasing accessibility to the Center.



Monitoring and Prevention System

In order to prevent financial loss or damage to the reputation of the company arising from the failure of the company to comply with the requirements of applicable laws, rules, regulations and internal policies, we have established internal control policies and compliance monitoring programs. Implementation results are reported internally to the Board of Directors – once a year – and Internal Control Committee – four times a year – as well as externally to NH Financial Group. There is an inspection team within the Compliance Department that monitors whether all the departments and branches are complying with regulations and reviews observance of the Employee Code of Conduct.

I-Con (Integrated Internal Control Management System)

NHIS established a system that can integrate and monitor information on internal controls. We integrated data that was subject to dispersed management per area in internal control systems, and developed a measurable index. We regulatory conduct inspections on employees, scaled to measured risk levels, so that our lines of business are held accountable to perform within the established limits.

Warning Letter Issued by Compliance Officer

In case of a department or a staff violates regulations and/or engages in unfair conduct, and if that violation is minor, a warning letter is issued by the Compliance Officer as a call for caution to provide guidance on potential significant violations that may occur, and to prevent recurrence. If a warning letter was issued for the same unlawful/unfair conduct within three years, disciplinary measures are taken.

Risk Management



Risk Management Policy

The "Modern Portfolio Theory" is known to the public as the proverb, "Don't put all your eggs in one basket". It is a monumental theory in that it defines the concepts of return and risk in detail. Returns should be determined based on the size of risks that were endured to gain the returns, and the most efficient investment is to aim at maximum returns under given risks or at minimum risks to achieve given returns.

NHIS operates a process for preemptive and follow-up management of risks that may arise in the course of business activities. We have set guidelines and strategies to deal with risks depending on the type of risk, the type of business and the object of risk management, and we monitor them on a regular basis and report results to the management. We have organized training on risk management for all employees and operate a problem reporting system. As such, NHIS is enhancing corporate sustainability and social responsibility through preemptive risk management.

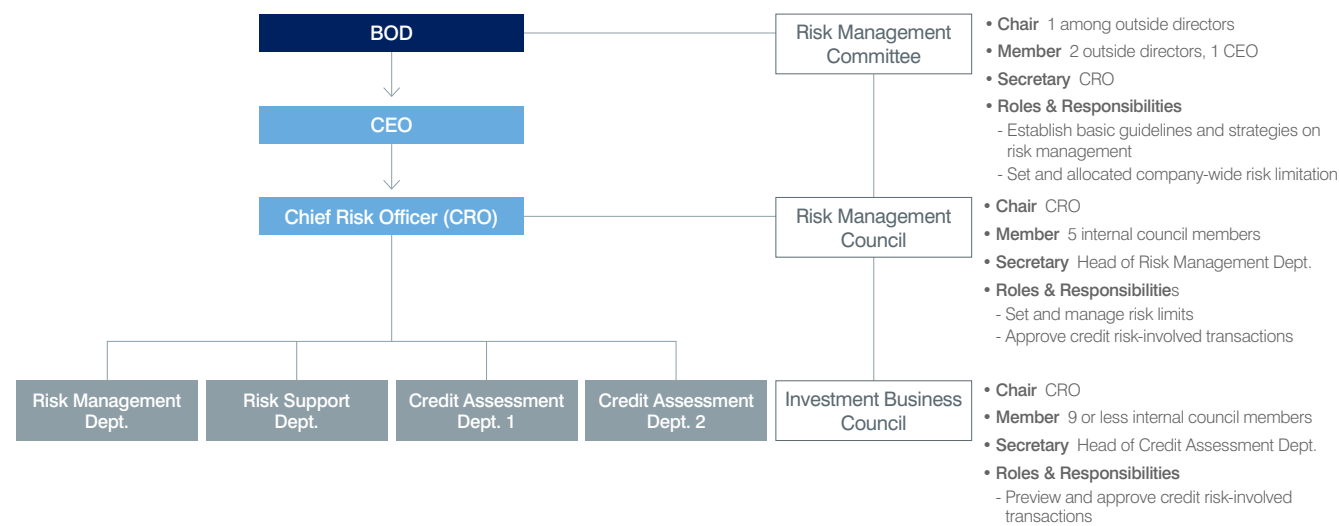
Risk Governance

In order to ensure systematic risk management, NHIS operates an organization dedicated to overseeing risk management activities of the company. Under the auspices of the CEO, the Chief Risk Officer (CRO) leads the Risk Management Division. In addition, to faithfully fulfill roles as a mega-sized IB, we are strengthening evaluation personnel and have two specialized credit assessment departments.

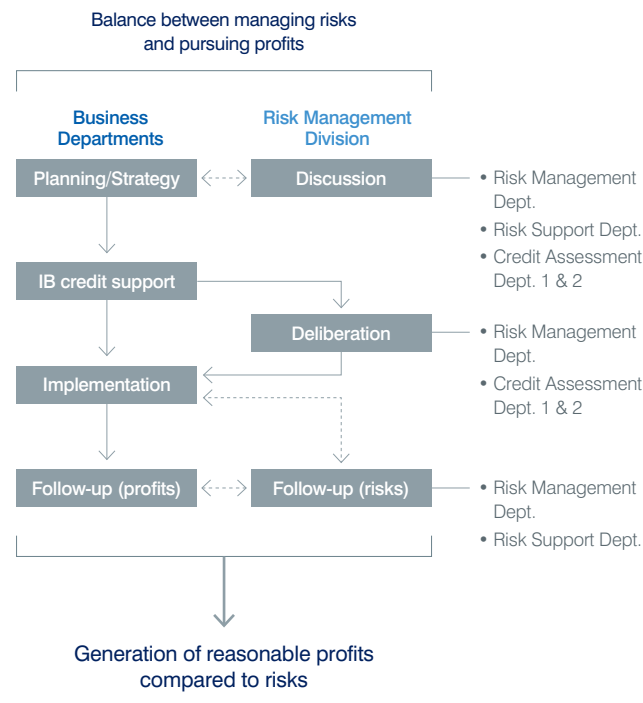
As risk management decision-making bodies, NHIS has the Risk Management Committee, Risk Management Council, and Investment Business Council, working together in a multi-layered decision-making process. The Risk Management Committee handles top decision-making, such as establishing a basic policy and strategies on risk management, and is a BOD subcommittee. Chaired by the CRO, the Risk Management Council makes working-level decisions on risk management. The Investment Business Council engages in prior control of credit risk by evaluating and agreeing on various transactions that accompany credit risk.



Risk Management Organization



Risk Management Process



Risks and Opportunity Factors

Increase in overseas exposure and alternative assets

There has been an increase in product sales of overseas and alternative assets, with the dynamic changes of clients' financial needs. In response, we are strengthening credit assessment skills and enhancing assessment capabilities for diverse, complex transactions. In addition, we preemptively propose a credit enhancement structure, thereby preventing insolvency and stabilizing transaction structure. We are also developing an audit function and are establishing the related system that is suitable for the securities business, in our efforts to solidify a foundation as a mega-sized IB.

Increase in financial market volatility

There is a high possibility that financial market volatility will increase due to rising political uncertainty as well as continued trade disputes across the globe. We are therefore strengthening risk management in preparation by reviewing our risk management system and inspecting vulnerable area. In addition, we are enhancing asset management efficiency through a decision-making process that considers profitability compared to risks.

Strengthened real estate market regulations

As the supervisory authorities' real estate market regulations are being strengthened, we have set a ceiling for real estate asset acquisition to maintain the size of high-risk businesses to be adequate, while also upgrading our limit management system according to the level of business risk. As such we are striving to achieve the best outcomes from limited resources, while maintaining capital adequacy.

Risk Operation System

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

Response Strategy by Risk Type

Market risk management

Market risk refers to the risk of loss arising from market fluctuations such as changes in interest rates, stock prices, and foreign exchange rates. We set risk limits by using value at risk (VaR) to control market risk, and also use sensitivity analysis to manage market risk.

Credit risk management

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

Liquidity risk management

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

Operational risk management

Operational risk refers to the risk of loss posed by inadequacy with internal process, human errors, and/or errors in system. To control operational risk, we have set up an Operating Risk Management System (ORMS) at the company level. Each organizational unit has a Risk Manager (RM) who carries out Risk Self-Assessment (RSA) on a daily or monthly basis and oversees key risk indicators (KRI). This monitoring process and risk assessment enables regulatory inspection of risk levels throughout the company and preemptive control of potential operational risks.

Environmental risk management

Environmental risk refers to the risk of loss that can arise in the process of evaluating and agreeing on transactions that accompany credit risk through a risk management decision-making body. NHIS deploys to diverse low-carbon sustainable business activities and critically monitors any investment projects that may have negative impacts on the environment.

Response Strategy by Risk Type

Classification	Risk type	Details	Response strategy
Financial risk	Market risk	Risk of loss due to fluctuations in financial markets such as stock price, interest rates, foreign exchange rates, etc.	VaR; sensitivity analysis; loss limits; and regular monitoring and reporting
	Credit risk	Risk of loss due to a change in the counterparty's credit score	Credit limit according to business purpose and credit rating; and preliminary deliberation and discussion by business
	Liquidity risk	Risk of loss from a shortage of operating funds and in the course of raising funds	Regular monitoring and reporting of liquidity ratio
Non-financial risk	Operational risk	Risk of loss due to inadequacy with internal process, human errors, and/or errors in system	Designating risk managers at organizational units; and regular risk assessments
	Environmental risk	Risk of having a negative impact on the environment due to investment in a business that is not eco-friendly	Preliminary deliberation and discussion by the risk management units and committees

Activities to Prevent Risk Recurrence

Activity	Details
Upgrade risk management system	Improve and/or revamp ALM system ¹⁾ for calculation of liquidity ratio; market risk management system to calculate VaR; system to manage exposure limit per entity for inquiry and management of exposure (risk exposure) limit per entity; and operational risk system for risk self-assessment
Implement stage-by-stage risk management	Classify risk into green, yellow, and red levels for preemptive risk management
Set up monitoring system	Inspect various risk limits on a daily/monthly/quarterly basis; and report to the management
Revise rules and regulations	Revise rules and regulations in response to changes in the business and financial environments
Provide risk management training	Promote risk management culture with risk management training and education using video clips for all employees

¹⁾ Integrated asset and liability management system

Risk Management Performance in 2019

Outcome	Details
Improved the risk management system and relevant regulations	<ul style="list-style-type: none"> Made system improvements for efficient business execution and responded to issues Improved the risk measurement system and conducted value assessment; and verified the adequacy of risk measurement Built an infrastructure to make risk management knowledge information into a database¹⁾
Conducted credit assessment on transactions that accompany credit risk	<ul style="list-style-type: none"> Evaluated a total of 472 cases (transaction total amount of KRW 37.5 trillion)
Increased efficiency of managing the exposure limit of the counterparty to a transaction	<ul style="list-style-type: none"> Unified the dual transaction counterparty exposure limits Strengthened the credit review function to prevent insolvency of credit risk assets Built a daily RWA calculation and forecast system

¹⁾ Refer to the case study

Risk Management Plans

NHIS will focus its capabilities on supporting efficient asset allocation strategies; enhancing overseas and alternative asset assessment capabilities; enhancing an audit system; and improving risk management process and system. With regards to asset allocation, we will conduct assessment on asset allocation strategies that are established by each business department, and improve the risk management system and support relevant businesses for efficient asset allocation. As a measure to enhance overseas and alternative asset assessment capabilities, we will set a measure to stabilize the deal structure and improve our assessment process. In addition, we will expand audit subjects and types to further enhance our audit system. Also, to improve the risk management system and process, we will constantly amend relevant systems and inspect vulnerable areas.

We will regularly modify our systems in line with regulation changes such as to adopt a system to provide margin on OTC derivative transactions which are not cleared through Central Counterparty and a revised market risk framework set out in Basel III. At the same time, we will make risk management information into a database to respond to changes with agility.



Business Trend

Era of new normal (low growth, low interest rates, aging)

Due to sluggish global trade and the spread of COVID-19, the OECD global economic growth rate outlook was adjusted lower by 0.5%p to 2.4%. The outlook for Korea's economic growth rate also went down from 2.3% to 2.0%. Private consumption is expected to be gradually reduced with the drop in the economic growth rate, and accordingly, the easing currency policy of countries across the globe will likely persist to result in continued low interest rates.

There are continued client needs for mid-risk and mid-return products, seeking additional profits during prolonged periods of low interest rates. In response, we will expand clients' investment scope from the traditional assets to alternative assets, and expand the product spectrum according to clients' investment propensity, thereby focusing our capabilities on supplying client-tailored investment solutions. The importance of wealth management is gaining further emphasis as our lifespan is extended, and forming long-term relations with clients based on trust is becoming important as well. NHIS is therefore focusing on providing products and services most needed by clients from a client perspective, with the goal of enhancing client value. To this end, we are innovating all processes, ranging from our assessment system to sales methods, to become an "advisor" that provides optimal client-tailored financial solutions, rather than merely a "broker" of financial products.

Client value has always been a top priority at NHIS, and that is why and how we are staying ahead of such policy changes and doing our best to protect financial consumer rights and interests. As part of these efforts, we appointed a Chief Consumer Officer (CCO) as an executive, and created the Financial Consumer Protection Department, independent from the Compliance Division, in December 2019. As a result of our client-centered management, NHIS earned the honor of being chosen as the No. 1 company in the securities category in the 2019 Korean Client Satisfaction Index (KCSI) survey carried out by Korea Management Association Consulting for two years in a row.

Strengthening Business Capability

“The global market is an investment destination for domestic clients, and where new business opportunities are. NHIS will expand our overseas network and develop competitiveness as a local full-service investment and securities company, thereby expanding our revenue basis. Moreover, we will provide the finest global investment platform to clients.”

— Song Chi Yeol, General Manager, Global Strategy TFT of NHIS

CASE STUDY

Received the Grand Prize at the Financial Investment Category in thebell Risk Manager Awards

“It was derived from employees' idea that there is a need for a system that can minimize information error and omission resulting from manual management, and ensures that all knowledge data is managed properly. It has great significance in that many opinions were shared among different business departments on implementing additional functions, and thus we came up with measures that could enhance efficiency.”



NHIS built a database of knowledge data that the Risk Management Council receives and collects. This involves creating a shared archive so that users can identify various matters, ranging from matters for decision to deal evaluation and analysis reports, at a single glance.

This has enabled us to maintain the consistency of input information and manage the history of each knowledge data with ease, resulting in a quicker feedback regarding data requests. Individually managed data is archived in database to reduce risk of losing data materials while work efficiency is boosted since data input and output, message transmission and many more functions can all be processed on a single screen. Once the discussion process for an overall assessment, such as risk factors and resolution measures for a deal, is successfully recorded, we expect the system will present a milestone when we assess similar type of deals in the future.

Digitalization

NHIS is accelerating digital innovation to take a step closer to our clients. To NHIS, digital technology is a tool to better understand our clients, and to offer them the optimal solutions for their needs. Major examples of our digital services include our five products of Robo advisor solutions – “NH Robo Advisory for Pension ETF (Exchange Traded Fund)” which was launched in 2019, the “Algorithm Market” automated algorithm-based equity investment service, and “All That A.I Report” service, which recommends a stock each day using a machine learning technique. NHIS' digital capabilities enable us to allocate substantial amount of time dedicated to our clients. We have made our work processes more efficient by using robotic process automation (RPA), and we are also building a data analysis system which can effectively analyze information by constructing a foundation for digital assets.

Responding to regulations

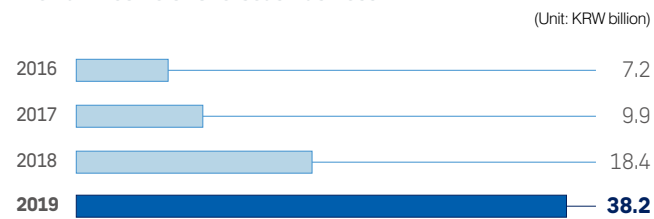
There has been a policy redirection towards strengthening investor protection with greater emphasis on trust in the financial industry triggered by the recent issues involving incomplete sales of financial products and hedge fund redemption.

Expanding global business

NHIS has been striving to make inroads into global markets since the establishment of its New York subsidiary in 1992. As of December 2019, NHIS has eight overseas hubs in such global financial centers as Hong Kong, New York, and London, and we are entering into new capital markets such as Indonesia and Vietnam. Our overseas business began as brokerage service of Korean stocks for overseas investors and developed into a global product sourcing platform. We are now focusing on developing global expertise and finding optimal products in order to satisfy the various investment demands.

The volume of our overseas business has also been growing. As of December 2019, total capital of the company's overseas hubs accounted for 10.6% of our total equity capital to reach KRW 568.9 billion, and there are 219 employees working overseas, including local employees. We plan to continually increase the proportion of our total capital that is taken up by our overseas business. In 2019, pre-tax income of our overseas business grew 107.8% year-on-year to record KRW 38.2 billion. When compared to the KRW 7.2 billion recorded in 2016, income grew more than five times in size only in three years.

Pre-tax Income of Overseas Business



The Hong Kong subsidiary earned more than KRW 10 billion of profits in overseas fixed income brokerage business in both 2018 and 2019, thereby fully establishing itself as a strong player in the market. It diversified its trading scope to include bonds from the U.S., China, and Europe, and is on a solid way to build a sustainable business foundation. With expansion of client base, NHIS Hong Kong is solidifying its growth momentum with its stable revenue structure.

The Indonesian subsidiary, which has been growing into a local securities company, recorded a pre-tax income of KRW 8.4 billion in 2019, growing more than two times since 2018. It especially accomplished a noticeable performance in the IPO business which it launched in 2018. It served as a lead manager for three IPOs in 2018 and five in 2019. Accordingly, in terms of the initial offering price, the Indonesian subsidiary took sixth place¹⁾ among securities firms in Indonesia and secured competitiveness in the ECM market.

NHIS' wholly-owned subsidiary in Vietnam began its operation in 2019 after acquiring the full stake in its Vietnamese joint venture in 2018. NHIS Vietnam started with providing products and services for its local retail business and now offers a full range of banking services for Vietnamese customers, from retail and corporate banking to investment banking and asset management. The subsidiary has formed a sales organization in a newly created Ho Chi Minh City branch, thereby turning to a profit.

New growth business

In an ever-changing overseas business environment, the Korean stock brokerage business, serving overseas investors, has been steadily declining. In contrast, increased overseas investment demand among domestic investors is resulting in a sharp rise in the demand of overseas securities brokerage (stocks and bonds) and IB business revenue.

¹⁾ 6th from among 41 securities firms that served as a lead manager for at least one IPO

To stay ahead of the curve, NHIS is widening its global business network by significantly expanding IB business and increasing the number of global business experts. NHIS continues to advance into in new markets and grows into a full-service investment and securities company by diversifying business areas. To this end, we are looking into establishing a joint company or new entry into emerging countries, and are expanding business through capital increase for existing overseas subsidiaries.

Growth of the Indonesian subsidiary's IPO business

Our Indonesian subsidiary, NH Korindo Securities Indonesia, successfully completed an IPO deal for the first time in June 2018, and it served as a lead manager for three IPOs in 2018 and five in 2019. As of the end of February 2020, it already completed two deals, thus demonstrating sharp growth in the relevant market. Corporate financing through IPOs has been gaining vitality in the Indonesian capital market, that has entered a growth phase, and NH Korindo Securities Indonesia is generating synergy by utilizing the know-how that was accumulated through corporate financing deals in Korea to the local market in Indonesia. It recruited additional local key IPO experts in 2019, and is thus expected to achieve additional growth in the Indonesian corporate financing market.

IPO Track Record of NH Korindo Securities Indonesia

(Unit: IDR billion)

Date of IPO	Company name	Initial offering price
Feb. 12, 2020	PT Agro Yasa Lestari Tbk (AYLS)	25.9
Feb. 10, 2020	PT Lancartama Sejati Tbk (TAMA)	35.0
Nov. 14, 2019	PT Sinergi Inti Plastindo Tbk (ESIP)	31.0
Sep. 16, 2019	PT Bhakti Agung Propertindo Tbk (BAPI)	251.6
Jul. 9, 2019	PT DMS Propertindo Tbk (KOTA)	186.6
May 10, 2019	PT Bliss Properti Tbk (POSA)	255.0
Apr. 10, 2019	PT Meta Epsi Tbk (MTPS)	200.0
Aug. 7, 2018	PT MD Pictures Tbk (FILM)	274.6
Jul. 12, 2018	PT Sinergi Megah Internusa Tbk (NUSA)	180.0
Jun. 8, 2018	PT Sriwahahana Adityakarta Tbk (SWAT)	106.3

Group synergy

NHIS is focusing on generating synergy through collaboration with NH affiliates in order to strengthen its business capabilities. We have established and are implementing strategies to collaborate with NH affiliates to generate more operating revenue. In addition, we provide support to farming villages by developing financial products to increase income of farmers, offering funds to farmers and agricultural food companies, and carrying out social contribution activities, as part of joint efforts with NH affiliates to strengthen the competitiveness of agriculture and to improve the quality of life in farming villages.

IB synergy

CIB Commercial investment banking (CIB) is a joint business with NH affiliates across all areas in the corporate financing market, ranging from deal sourcing, risk management, investment, and follow-up management. NHIS, with an industry-leading competitiveness in IB, is in charge of deal sourcing and product structuring, while such affiliates with sufficient funds as NH Bank, NH Life Insurance, and NH Cooperative Banking, make joint investments.

Joint Investment in CIB

Classification	2017	2018	2019
Joint investment (No. of cases)	17	21	28
Amount (KRW million)	78,513	78,716	161,626
Participation by affiliates (KRW million)	22,240	19,192	43,050

Pair-RM We have been operating the Pair-RM (Relationship Manager) system between NHIS and NH Bank since 2016 for cooperative sales mainly targeting large conglomerates. 137 cases of cooperative sales efforts have been made over the past three years through such activities as onsite meetings and seminars.

Performance of Pair-RM

Classification	2017	2018	2019
Joint sales (No. of cases)	44	43	50
Amount (KRW billion)	5,158.0	2,645.5	3,580.0

WM synergy

Referral sales NH Financial Group launched its integrated referral sales system in October 2015, and has been running a system to reward outstanding performance in referral sales since June 2016. There has been growing synergy in wealth management sales through the referral sales system between NHIS and NH Bank, increasing every year, from 1,745 cases in 2017 to 3,115 cases in 2018 and 3,122 in 2019. In addition, we adopted a fee split system for referral sales between NHIS and NH Bank in February 2017, and increased the number of affiliates that apply the integrated system for outstanding clients in July.

BIB NHIS employs the network of NH Financial Group to provide integrated wealth management services that comprehensively consider client's needs and financial conditions. NHIS runs a total 12 Branch-in-Branched (BIBs) as of the end of December 2019, and rewards outstanding cases of BIB operations every year, thereby raising the sense of pride. We plan to incorporate various support activities to strengthen the competitiveness of BIBs and promote their continued growth.

Identifying new synergy businesses

NHIS is actively implemented collaborative projects with NH affiliates since 2019. We work in unison with other affiliates by leveraging each company's strengths to enhance competitiveness and to identify new revenue sources.

Securities accounts connected to NH Bank In 2019, we conducted a campaign to promote the opening of securities accounts connected to NH Bank. By utilizing the NH Bank's sizeable network, NHIS expects to enrich our client base.

Synergy generated through foreign currency deposit of NH Bank

NHIS improved client convenience and helped retail clients increase their US dollar deposits by promoting the opening of foreign currency account between NHIS and NH Bank. We are expanding the service to include other types of currency in 2020, including the euro and the yen.

Internal synergy

We have established a suggestion platform where ideas are shared among different business divisions to break down silos¹⁾ within the company. As such, we are discovering new businesses chance through this platform and developing competitiveness by increasing work process efficiency.

Suggestion platform

This platform enables all employees and executives to freely register their ideas about business process improvements or new businesses. When a suggestion is adopted, it is led to business execution or applied to work process. In 2019, a total of 2,003 suggestions were made of which 153 suggestions have been executed, while 213 suggestions are in the process. This suggestion channel participated by anyone in the company contributes to building a flexible business environment that is opened to new ideas and suggestions.

¹⁾ Departments or teams working in isolation, pursuing only their respective interests

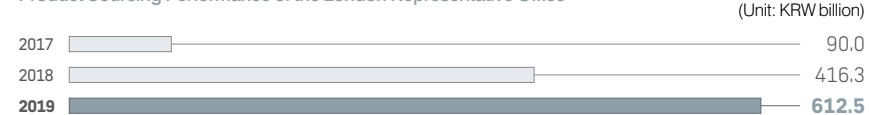


CASE STUDY

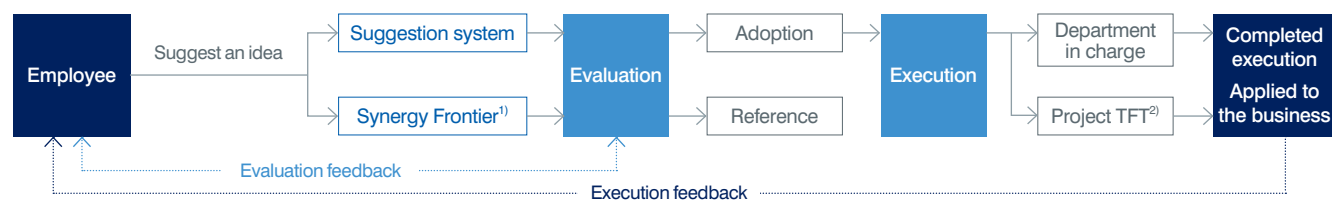
Product sourcing performance of the London Representative Office

The NHIS London Representative Office was opened in 2016 and began product sourcing business in 2017, with a focus on alternative investment products. Its product sourcing performance grew from around KRW 90 billion in 2017 to KRW 416.3 billion in 2018 and KRW 612.5 billion in 2019. Despite the Brexit issue, the London Office is discovering alternative products for domestic investors, and growing into a hub in Europe by reinforcing its organization and personnel.

Product Sourcing Performance of the London Representative Office



Suggestion Process



¹⁾ Employee council to share information on the major business status inside and outside the company, review the possibility of synergy generation, and preemptively identify areas to be improved
²⁾ An agile task force team (TFT) that is intended to conduct tasks that require collaboration between two or more departments

Digital Transformation

NHIS is preemptively responding to financial market changes driven by digital technology, while expediting digital innovation by analyzing business characteristics and overall process of each business area. Our WM business, in particular, focuses on establishing digital wealth management solutions, presents investment solutions based on client analysis, and offers our clients more intuitive and efficient digitalized investment environment.

**Strengthening digital capability
 Developing algorithms of Robo-advisor**

We have been conducting joint industry-academia research for developing algorithms of Robo-advisor together with Korea University since 2019. We are developing a strategic asset allocation engine through market situation forecasting using various macro indicators, including interest rate, GDP, and price. Through tactical asset allocation research that integrates financial engineering and artificial intelligence (AI) as well as risk optimization models, we were able to improve the rate of return and to reduce risks of Robo-advisor portfolio. This algorithm will be applied to a new machine learning-based Robo-advisor product whose underlying asset is domestic and overseas ETF portfolio.

Robo-advisor wrap account

NHIS became the industry's first to release a Robo-advisor wrap account, which can be signed up via mobile device. Starting in June 2018, clients are able to sign up for a wrap account through a non-face-to-face channel and to be offered obligatory explanations without having to visit a branch. Accordingly, in case of a Robo-advisor that passes the Robo-advisor testbed of the Financial Services Commission, a discretionary contract can be signed online after disclosing management performance (1 year 6 months), and if a capital requirement is met. The main strength of our Robo-advisor wrap account is that it manages the asset allocation in accordance with the investment purpose and preference of each client account, and enables rebalancing management regularly in response to market situations. "QV Global Robo Wrap", one of our leading flagship products, invests in ETFs listed in the U.S., and "QV Robo Wrap (December)" receives advisory service from December & Company and is managed through AI driven fund asset allocation investment strategy.

Advisory platform

NHIS runs the "Portfolio Market" which enables digital wealth management. This advisory platform connects to a professional investment advisory company and provides wealth management services in advisory form. A portfolio that is in line with an individual's investment preference can be adapted to diver investment products and vehicle. The investment advisory company provides a portfolio based on reasonable criteria and the investors make investment decision and re-balance their investment portfolio.

Algorithm Market

This automatic algorithm-based stock investment solution provides various algorithms that individually have an investment strategy by using financial data. It supports trading by recommending individual stocks and exchange traded funds (ETFs) by reflecting the remaining balance and market situation based on an algorithm that the client selected. It also provides a sign for stock trading and manages rates of return to offer bespoke services.

Outcome and future plan

Robo-advisor

NHIS has a Robo-advisor product line-up that consists of five products developed using algorithms that passed the Robo-advisor testbed supervised by the Financial Services Commission. Of these, the cumulative rate of return³⁾ of the "QV Global Asset Allocation" is 34.13% for the active investment type and 34.09% for the risk neutral type. This algorithm ranked first from among all Robo-advisors in Korea in the rate of return of the first half of 2019 that was announced by Koscom in August.

Service based on the QV Global Asset Allocation

This asset allocation service implements a strategy of making dispersed investments in stocks, fixed income, and alternative investments, with ETFs listed in the U.S. as underlying assets. Another strength is that risk is actively managed using a method of adjusting proportion according to underlying assets' volatility, in addition to a high rate of return. We launched both an entrusted-type service and advisory-type service based on the QV Global Asset Allocation, of which the name of an entrusted-type service is "QV Global Robo Wrap" – a wrap account. It is automatically managed by a Robo algorithm once a client signs up for a wrap contract. A client can examine the account's management status through a management report provided every three months. A contract can be signed at NHIS branches and through mobile application.

"NH Robo Advisory for Global ETF" is an advisory-type service of the same algorithm. It is a type of product that meets the investment appetite of clients who want more active management since a client can directly manage his/her own accounts that are advised by a Robo algorithm. The service can be subscribed at the Portfolio Market of NHIS' mobile application. In August 2019, we also launched the "NH Robo EMP Wrap" – a wrap account for which a Robo-advisor establishes a portfolio with ETFs listed in Korea.

This service enables to create optimal asset allocation portfolio through a machine that has learned various portfolio theories and data.

For personal pension accounts, which require a long-term investment and management, we launched the "NH Robo Advisory for Pension" and "NH Robo Advisory for Pension ETF" that provide advisory services regarding pension funds and pension ETFs, respectively, in 2018 and 2019. Although the clients' needs for the pension products grow, managing pension account profitably is not easy for individual clients unless they have dedicated account manager. The NH Robo Advisory for Pension ETF provides advice on ETFs that can be traded in a pension savings account, allowing clients to actively manage their asset under the pension account. In addition, by utilizing ETFs, which require low maintenance fees, management costs were minimized. Also, Robo Advisor automated trading service is offered for free of costs.

Forming an alliance

NAMUH, which is NHIS' mobile-only wealth management platform, issued an annual 3.5% (pre-tax) CMA promissory note through an alliance with KakaoPay, a leading life finance platform in Korea, and Rainist, a fintech company that provides convenient comprehensive wealth management and personalized financial curation through its "banksalad" application. By forming this alliance that was made as a part of efforts to facilitate the "Mydata" industry, NHIS preemptively responded to the emergence of a new era, where individuals become the main entities of information management. We will continue to provide innovative benefits through alliances with big tech and fintech companies, and break barriers and easing entry of new clients in their 20s and 30s, thus evolving into an investment technique platform player.

Open API

NHIS built an API platform that was designed from a user perspective in 2019. It mainly consists of highly demanded APIs from users' perspectives such as assets, overseas stocks, funds, and promissory notes. In consideration of future scalability, other API usage requests from institutions that use the platform will be responded with attentive care. The platform is built as open type so that it adaptively connects to various channels in alliance and external data. It is structured with hybrid architecture in consideration of connecting with a common fin-tech open platform in the capital market as well as to secure safety and agility.

³⁾ Based on January 2, 2019 to February 27, 2020



CASE STUDY

Crowdfunding to nurture small- to mid-sized farmers

NHIS provides support to nurture small- to mid-sized farmers in partnership with the NH Future Agriculture Support Center. This has enabled us not only to help them market farm produced goods but also to share the stories of farmers and farming villages, thereby contributing to increasing the income of farming villages. We began with supporting 24 farmers in 2017, followed by support for 35 in 2018 and 22 in 2019. The amount of funding also has been increasing. Going forward, we will continue to enhance market competitiveness of small- to mid-sized farmers, and create platforms that can provide good products to funding participants.

Status of Crowdfunding

Classification	2017	2018	2019	Total
No. of farmers received support (household)	24	35	22	80
No. of funding (case)	1,369	4,148	5,106	10,623
Target amount (KRW million)	30.5	35.0	44.5	110.0
Accomplished amount (KRW million)	73.9	121.6	182.7	378.2
Accomplishment rate (%)	242	347	411	344



CASE STUDY

Pension product for post-retirement in the era of longevity

The world population is aging more quickly than ever before. Increased life expectancies may be a blessing, however, with this change in demographics come challenges to financial prosperity with solid foundation that had never previously envisioned.

NHIS helps clients to manage their wealth for longevity by providing various pension products which can be chosen according to their investment plans. Our efforts are receiving recognition, and as a result, in October 2019 the NH Robo Advisory for Pension ETF won the Silver Prize at the Financial Awards in the Centenarian Age Era hosted by MTN and Korean Academy of Financial Consumers, thereby proving its competitiveness as a useful financial product once again.

Responsible Service Leadership

NHIS challenges conventional ideas about investment, and has defined finance so that everyone can approach the idea of investment conveniently and reach financial goals with enjoyment.



“ We will focus on deepening our relationship we have with our clients by offering them the finest products and services.



Kim Yong-Min
General Manager,
Financial Consumer Protection Department

We strive to listen to clients' voices through comprehensive communications. Our client-focused management philosophy will enable us to achieve joint growth in partnership with our clients.

“ Our sales activities value the process we deliver to meet client satisfaction rather than simply meet the financial performance targets.



Park Heonhwang
Manager,
WM Strategic Sales Department

The priority question we always ask ourselves is 'How can we deliver client-specific financial solutions through more efficient communications?'



Zero



Number of cases of client information leakage for the past 3 years



No.1

Ranked first for the second consecutive year in the NCSI and KCSI client satisfaction surveys

Management Approach

APPROACH

Our top priority is to deepening and enhancing the relationships we have with our clients by recognizing the value of their entire relationship. Through various channels, such as company newsletter, broadcasts, and a slogan contest, NHIS promotes client-centered growth drive as a corporate culture and management philosophy. We also exploit external media and social media networks to share our client-centered management and corporate information. We will continue to improve our services from a client perspective, so that we can enhance the client experience and share the benefits of our success with clients and other stakeholders.

MATERIAL ISSUES

- Activities to increase the awareness of ESG-related products and services

ACHIEVEMENT

- Established the Financial Consumer Protection Division and appointed an independent Chief Consumer Officer (CCO) under the auspices of the CEO
- Adopted a Kakao talk notification service and an online Happy Call via email
- Acquired an overall grade of "satisfactory" in an actual condition evaluation carried out by the Financial Supervisory Service
- Received the Financial Supervisory Service Governor Award in the Financial Investment Category at the Financial Consumer Protection Awards
- Ranked first for the second consecutive year in the NCSI and KCSI client satisfaction surveys
- Received the best grade for the fourth straight year in a fund seller evaluation by the Korea Financial Investors Protection Foundation

FUTURE

- Improve employee mindset towards financial consumer protection
- Improve the process from product development stage to sales for consumer protection
- Internalize the consumer protection system in activities to focus on the value of process to deliver the result rather than the result alone
- Facilitate the grievance handling system for small-scale claims to resolve client grievances at the early stage

LINK WITH UN SDGs



Client Orientation



Consumer-centered Management

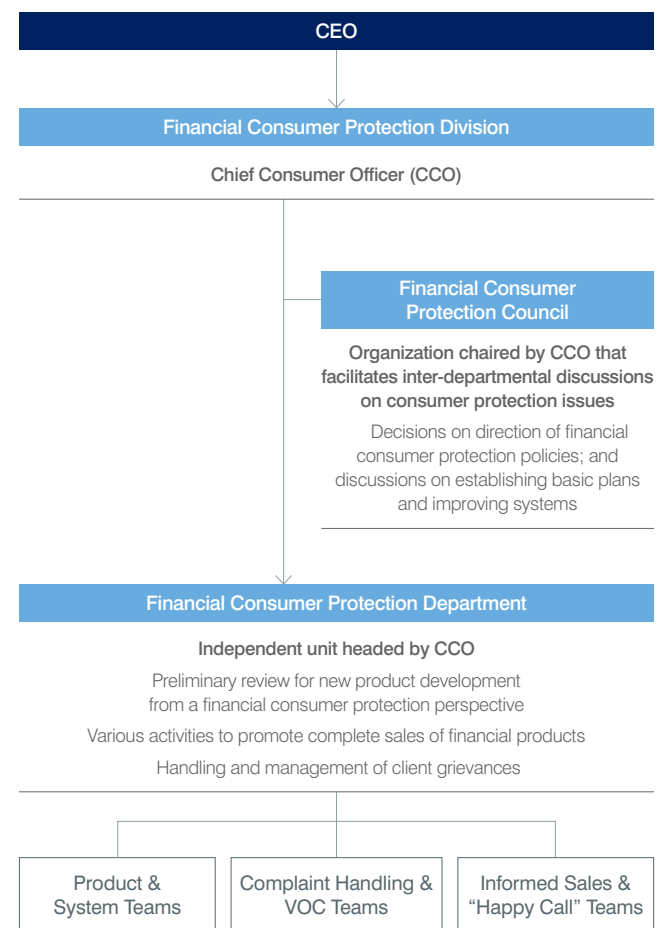
NHIS aims to maximize client satisfaction and provide the highest value to clients by offering products and services that meet client's diverse financial goals. Based on the analysis and diagnosis of the business environment, we established a company vision and strategy for consumer-centered management (CCM). And we achieve a management by objectives (MBO) process to systematically carry out the development strategy.

Consumer-centered Management Strategy

<p>Set in the CCM culture 01</p> <ul style="list-style-type: none"> • CCM re-certification • Employee training program • Financial Consumer Protection Day
<p>Build a client communication system 02</p> <ul style="list-style-type: none"> • Client participation system • Online system for open suggestions • Innovated CS paradigm and training
<p>Improve grievance handling and VOC 03</p> <ul style="list-style-type: none"> • Improved grievance handling and VOC systems • Improved client suggestion systems • Improved client accessibility
<p>Prevent incomplete sales process 04</p> <ul style="list-style-type: none"> • Improved mystery shopping program • Strengthen informed sales process training • Strengthen onsite training through financial consumer protection leaders

and operation of a financial consumer protection system. We also declared the "Financial Consumer Protection Charter" for the protection of consumers' rights, and established a CCM task force team comprising of the Financial Consumer Protection Council, the head of the Financial Consumer Protection Division, and hands-on staff from relevant departments to discuss the question at issue. Through such efforts, we are creating a corporate culture that raises employee value alongside client and company value.

Consumer-centered Management Organization



Strengthening Consumer-centered Competencies

NHIS provides robust coursework and dedicated training programs for employees to strengthen our CS competitiveness. We also have intensified the contents of our training program for building, developing, and advancing professional expertise in client-centered business.

Programs to Strengthen CS Competency

Category	Program	Participants	Main content
Onsite training	Bespoke CS training	Branches that receive VOC or training requests	Bespoke training based on request from branch
	In-house CS broadcast	All departments and branches	CS White Paper: Case-study of outstanding CS, and in-house broadcast production
Group training	Team leader training	Team leaders	CS mindset, client grievances management skills, etc.
	Employee training	Team members	New employees, employees subject to changing positions, etc. CS trainings to improve client response skills
Propagation	Business Support Manager (BSM) training	Business Support Division BSM	Providing CS training and collecting opinions at regular BSM meetings. Providing CS training materials when visiting BSM branches
	CS Day	All employees	Sharing lesson plans for case studies of model CS PLUS client responses
	Consumer protection monthly report	All employees	Sharing exemplary VOC cases

Preemptive client response system

NHIS receives client feedback through various on/offline channels. We operate a VOC system to promptly process the clients' suggestions and requests, and respond with the quality feedback. The system receives diverse requests for improvements to online channels, businesses systems, products, branches, and client support center services. The client suggestions are referenced to improve operations in all areas, such as online trading service for foreign currency promissory notes, order service for OTC fixed income, including corporate bonds, reorganization of the mobile trading system (MTS) fund service, UI redesign of the transfer screen, and online withdrawal and closing of pension savings fund accounts.

In December 2017, we launched a new system that uses big data, and received and processed 18,915 VOCs in 2018 and 19,566 in 2019. We also categorized VOCs into three stages depending on the nature and importance of the case, and reorganized the categorization of businesses to identify the frequently occurring VOCs on a monthly/weekly basis, and thus built an early-warning system of VOC insight. As such, NHIS has established a system and database that can more systematically collect and analyze VOC data, and are preventing and preemptively responding to client grievances and suggestions.

Channels for client participation

In planning and developing financial products and services, we conduct surveys, review client grievances and suggestions, and

utilize VOCs, in order to reflect client opinions. We have been operating an on/offline client panel system since 2017 that is aimed at increasing client participation and making market changes and client demands to be reflected during the product development stage.

In 2019, "NH Columbus EMP Wrap" was successfully launched after a client survey on awareness and inclination of branch-managed wrap accounts and ETF-managed portfolio wrap accounts. We also conduct a survey to clients and prospective clients in their 20s to 40s to identify their needs and preferences toward stock services, make a comparison between the websites of securities firms in relation to overseas stocks, and carry out a survey on the usage of websites, and then reflect the results when we reorganize our website.

Operation of Client Panel System

Classification	Details	No. of times conducted in 2019
Online panel	Surveys for the comparison between the websites of securities firms in relation to overseas stocks, etc.	6
Offline panel	Survey on the awareness level and inclination to invest in branch-managed and/or ETF-managed portfolio wrap accounts	1

Reflection of Consumer Opinions

Classification	Consumer opinion	Measures taken	• Grievance • VOC	
2017	Request for longer cancellation period during public subscriptions	Allowed next-day cancellation throughout public subscription period		
	Request for fix to fault in OTP Hybrid NAMUH check card	Completed improvements by switching manufacturers		
2018	Request for lower fees for personal IRP	Lowered fees after discussions with the relevant department		
	Request for measures to prevent voice phishing	Added a notice related to voice phishing. Strengthened the online loan agreement process. Strengthened monitoring requirements for the fraud detection system		
2019	Request for the improvement of the account list that the user recently makes money transfer	Added an edit function for the list of accounts. Abolished the minimum fee for four major countries (U.S., China, Japan, Hong Kong)		
	Request for abolishing the minimum fee for overseas stock purchasing	Providing information on the fees, withdrawal details, etc. Improving the service of providing information on cancellation possibility with period		
2019	Request for improving the system of charging a fee when a transaction statement request is made on the website			
	Request for online trading service for foreign currency promissory notes	Began to offer an online trading service for foreign currency promissory notes		
2019	Request for online withdrawal and closure of pension savings fund accounts	Began to offer a service for online withdrawal and closure of pension savings fund accounts		

Results of client satisfaction survey

NHIS conducts client satisfaction surveys to reflect client opinions and enhance employees' client-oriented mindset. In 2019, we carried out two sets of client satisfaction surveys toward 2,700 clients who had experienced our services throughout 82 different branches, and one set of telephone survey to 5,691 clients served by 678 sales representatives. We also make continuous efforts to improve issues that are identified through surveys, thereby improving client experience.

Items and Results of Client Satisfaction Survey in 2019

Classification	Item	Score
Business service	Response with quality and sincere manner, promptness/accuracy in processing work, activeness	95.58
Sales service	Satisfaction level towards expertise, product recommendation capabilities, and management skills of sales representatives	95.60
Loyalty	Overall satisfaction towards the respective branch (employee)	95.11
Willing to recommend	Willing to recommend the respective branch (employee)	92.15
Client feedback	There is a need for improvement to have NHIS' distinctive services and detailed consideration; and to have more expertise and increase rates of return for clients	-
Average		94.61

Valuing the Process to Enhance Client Value

More and more clients are looking for bespoke and comprehensive financial services delivered with digitally enhanced speed. As a result, financial companies now have ICT platform companies as their competitors. Against this backdrop, household financial assets in Korea grew at an annual rate of 6.7% and exceeded KRW 4,000 trillion, while financial assets of high net worth individuals with assets of KRW 1 billion or more record annual growth rate of 11%, and these are opportunities for financial companies.

In this sharply-changing market environment, NHIS has been achieving outstanding performance, based on the strong manpower and excellent dedication of our employees, amid prolonged low interest rates and intensified fee competition. In particular, activities that focus on the value of process in addition to results are our unique efforts to be in line with the reorganization of market structure and to further solidify our reputation as a leader in wealth management business.

Breaking away from performance-driven evaluation index

NHIS emphasizes the value of the process in the sales activities, rather than the sales outcome only. In order to actively reinforce client relations for branches and sales representatives, we abolished performance-driven evaluation index that had been used to measure financial performance, such as net operating revenue. Instead, we adopted an employee evaluation system that reflects the sales process measure, such as client interactions and sales activity, and client satisfaction.

Providing wealth management solutions

NHIS aims to offer the finest asset management solutions to meet our clients' needs. To this end, we built our product line-up distinctively by strengthening the supply of in-house products, and provided extensive presentations and seminars onsite to deliver quality content to clients. As a result of these efforts, sales activities of our PBs increased, leading to an around two-fold year-on-year rise in the number of face-to-face client contacts at the end of November 2019.

Refining and rebuilding the business system

In 2020, NHIS began to accelerate the refining and rebuilding of its business system in order to boost client satisfaction, based on the process valuing activities it has been carrying out. We plan to categorize clients into "PB clients" who require face-to-face services, "digital clients" who exploit digital channels, and "hybrid clients" who require advisory services through a digital platform, and build and develop channels according to the three categories. We will expand roles and responsibilities of PBs for client satisfaction as a way to increase "my clients". Also, we adopted the client management checklist, for the identification and elaboration of client's financial profiles and activities in order to better understand our clients.

Responsible Financing



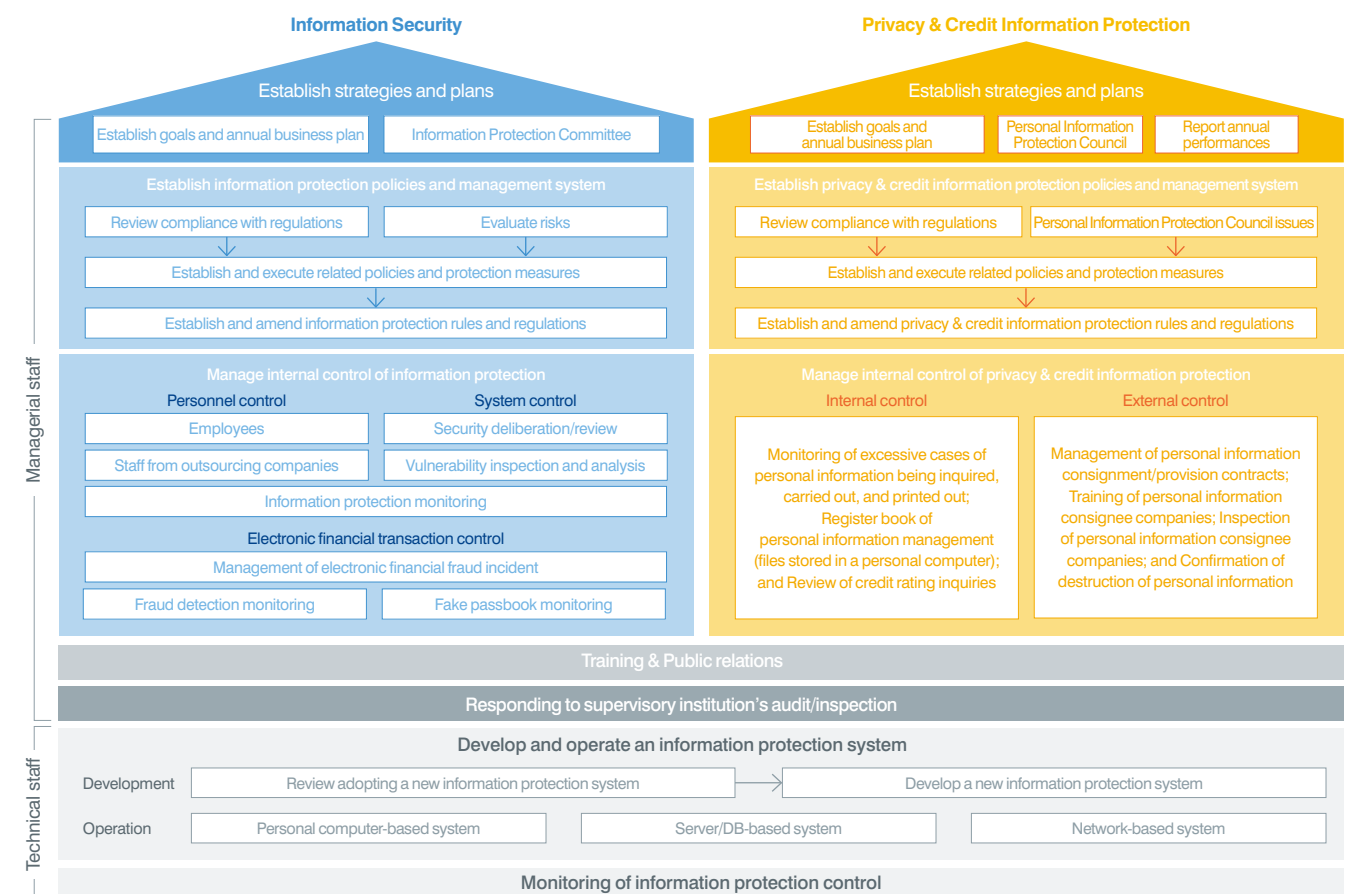
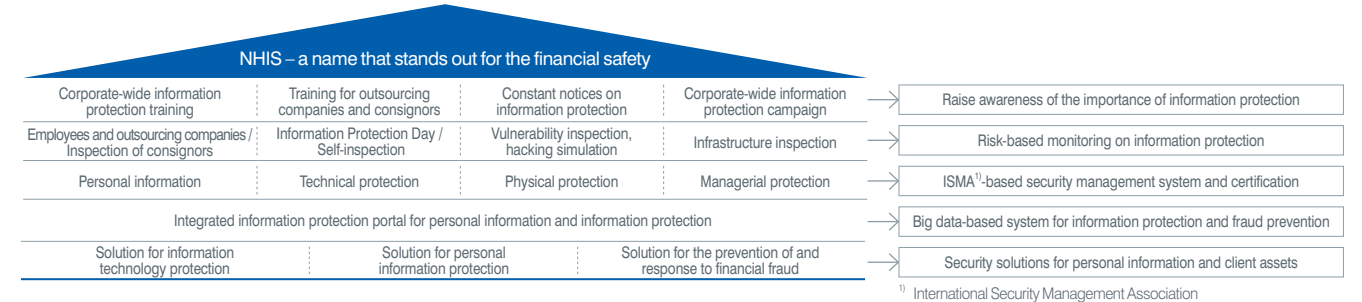
Financial Consumer Protection

NHIS is making strenuous efforts to ensure protection of client assets and to provide stability in financial lives of our clients through our services. We build and operate an integrated information protection control system and infrastructure, and make sure that clients' personal information is safely managed and protected through the Personal Credit Information Protection Council and Information Protection Committee.

Information security & privacy information protection

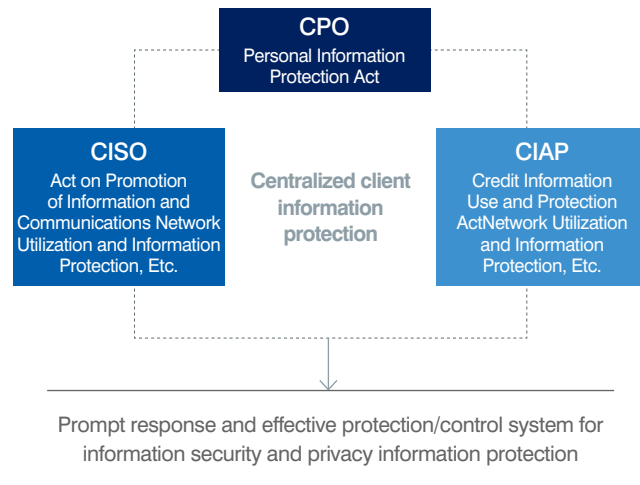
Security threats are becoming more intelligently challenging in accordance with a rapidly-changing financial and IT environment. The importance of information protection is also being emphasized socially. NHIS has therefore set key elements of its business activities to achieve no personal information leakage cases and to reinforce client and personal information protection. Accordingly, we have stationed information protection experts and systematically operate information protection management in order to effectively protect personal information and promptly respond to any incidents arise.

Information Protection Strategy



Information protection organization

NHIS operates the Information Security Division under the auspices of the CEO. The head of the Division also serves as a Chief Privacy Officer (CPO), Credit Information Administrator and Protector (CIAP), and Chief Information Security Officer (CISO). This system enables the company to respond promptly in the event of privacy data leakage or incidents resulting from lack of information protection, and to carry out effective internal control.



Personal information protection training

All NHIS employees and staff from our partner companies are offered with personal information protection training once a year. In case of newly hired employees and head officers/executives (all department heads, executives, and CEO), a specified training is provided on major matters in relation to their respective roles, according to their position, as part of our efforts to raise awareness of the importance of information security and personal information protection.

Employees training hours for personal information protection



Financial loss due to electronic financial fraud over the past 3 years



Number of personal information leakage incidents over the past 3 years



Information security system

NHIS renewed the Information Security Management System (ISMS) Certification in 2019. We acquired the Certification, a comprehensive evaluation and certification system on information protection system in Korea, in order to safely protect our clients' financial transactions and information assets in 2015. We have been recognized for the suitability of our management system for operations through the annual follow-up evaluation.

Information protection campaign

NHIS drives an information protection campaign every half of a year. The campaign is participated by all pan-NongHyup affiliates, reflecting the Group-level efforts to raise the awareness of information protection among employees and financial consumers. During the campaign that was held in the second half of 2019, we encouraged employee participation and helped farming villages make profits by giving out fresh produced goods as a free gift, in addition to a pamphlet that provides information and guidance on information protection.

Cyber-attack drills

Financial security threats are becoming more intellectualized and meticulous, and the damage resulting from such threats may adversely impact our ability to execute business strategies. This is why NHIS takes a comprehensive approach to strengthen information protection awareness among employees who build the foundation of information protection. As part of these efforts, we regularly hold a cyber-attack drill, such as a ransomware attack called Advanced Persistent Threat (APT), in order to increase employee awareness of information protection.

Information Protection Day

NHIS has designated the second Friday of every month as "Information Protection Day". Self-inspection activities are carried out on the Day, when guidance is provided to all employees so that they can check and examine their respective security level.

Clean Desk

Information Security Department of NHIS conducts unannounced after-work-hours office space inspection to check the personal information management status and security regulation violations. Guidance is provided to employees if needed so that they may make necessary improvements themselves.

Information Protection Training¹⁾

Classification	2017	2018	2019
Number of trainees (person)	2,764	2,806	2,938
Training hours (hour)	16,959	16,731	18,522

¹⁾ Financial Security Institute's training for personal information and information protection

Preparation for Acquiring ISMS-P Certification

NHIS started the preparation for the acquisition of certification on personal information protection system, in addition to the established certification on its overall information security system, with the goal of preemptively scaling up and preparing ourselves for the time where personal information protection management is paramount.

To this end, we will test our vulnerabilities in the course of handling clients' personal information. NHIS strives to become a trusted financial firm where clients can entrust their assets, not to mention of their personal information, by developing a strengthened management system.

Strengthening Financial Accessibility

Since the turmoil of global financial crisis, financial services providers' social roles to provide financial services towards the needs and the underprivileged have become more important. In Korea, socially minor groups and underprivileged groups such as the elderly, citizens in countryside, low-income families, North Korean defectors, and multicultural families have comparably less understanding towards financial information. Therefore, efforts should be made by us to minimize this financial gap in order to enhance the quality of the economy.

Improving UI/UX of mobile applications through industry-academia collaboration

NHIS strives to provide all users with indiscriminate and excellent user experiences by improving the user interface (UI) of our digital services. In 2019, we conducted a collaborative research project in partnership with KAIST, and students who do not have much investment experiences have participated in the project, in order to make improvements to the UI and user experience (UX) of our mobile applications.

We observed how people used NAMUH application, performed an assessment on services and any related issues, and conducted user

interviews and benchmarking. In addition, a professional evaluation was carried out based on the design principle of UI, thereby identifying detailed issues of each screen of the service. Based on user observation and evaluation as well as benchmarking results, we identified 10 directions for improvement²⁾. Within the directions, we derived improvement points for 29 categories in four areas – understanding financial language, information indication method, usage flow configuration, and reflecting graphical user interface (GUI) trends.

Improving the way to open accounts

There were some inconveniences in opening a new account by using former process, and had to manually handle the task of checking identification card's authenticity offline. In addition, staff in charge had to directly check ID authenticity via ARS or website. Also, clients were burned to install NHIS' MTS application in order to open a new non-face-to-face account.

To remove such inconvenience, in 2019 we made an improvement to the process of checking ID authenticity by linking our system with the Ministry of the Interior and Safety's automation system³⁾. Accordingly, work accuracy and efficiency improved, while the process was streamlined. The relevant workload diminished by at least 90%, so that efficiency was increased while customer churn rate during the opening phase was reduced.

For the non-face-to-face account, we have added web-based method so that clients may open accounts conveniently through mobile webpage without installing an application. Moreover, we were able to expedite system development period which used to take at least three months in order to develop a system for opening an account. By adding the web-based method, however, we were able to reduce the period to no more than a month, and all these improvements led to an increased number of new clients and mobile market share.

²⁾ Entry into opening, product selection, account opening, terms and conditions agreement, account transfer, asset status, account balance, information management, representative address, PIN management
³⁾ When an ID card is put into a terminal, information that is extracted from the card, such as a picture and fingerprint, is delivered to the Ministry of the Interior and Safety's IT Center for real-time inquiry with the original copy



CASE STUDY

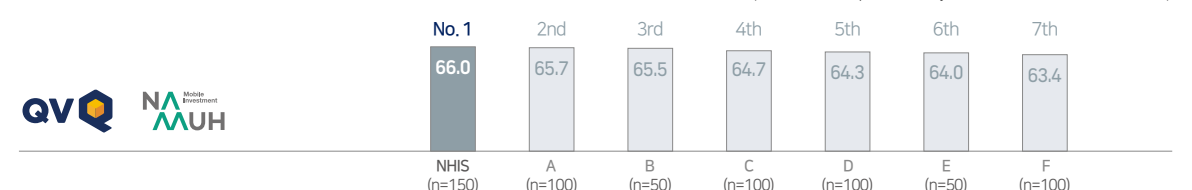
Secured the competitiveness of smart trading system

NAMUH MTS has been achieving outstanding results at external evaluations. In 2019, it received the Grand Prize in the 2019 Asia Smart Trading System Awards hosted by the Asia Business Daily. This is the outcome of enhanced user convenience by featuring the "favorite card" service that allows a user to add important news and/or the current price of stocks to his/her memo by touching a single button. Application's strengthened compatibility that maintains HTS usability without a PC through a tablet-only screen has been also highly evaluated.

The NAMUH MTS also received the highest assessment in five categories – trading, investment information, financial product, design, and client service – in the 7th Best MTS Award that was hosted by Moneytoday. In addition, as a result of conducting a quantitative and qualitative evaluation on application's competitiveness of each securities firm, together with Gallup, a research center for the people and the press, NHIS' mobile application received a significantly higher score in user convenience, and thus ranked first overall.

Gallup Survey Results

(Base: Total respondents by each securities firm, Unit: Point)



Customized education for mobile services

NHIS' Centenarian Age Research Institute, Digital Wealth Management Center, and Client Support Center collaborated and provided training sessions on our mobile applications – QV MTS and NAMUH MTS. The Centenarian Age Research Institute offered QV MTS training to the elderly clients in their 50s to 70s, while the Digital Wealth Management Center provided NAMUH MTS training to the young NAMUH clients. By providing information on various channels, we were able to increase clients' mobile application usability and improve client satisfaction levels.

Principles of Responsible Investment

Placing top priority on increasing earnings

First, we offer our clients the optimal product solutions that reflect their financial needs and risk appetite. Second, we provide investment products with theme that consider market condition and trends. Third, we use our "client fund returns care program", to monitor the fund's yield, thereby fortifying client confidence and offering clients with product rebalancing opportunities. During the fund follow-up care, we offer our clients with investment opinions such as additional purchase, rebalancing, or hold of the funds.

Full Cycle Fund Service

Sales phase	Follow-up management phase
Automatic rebalancing service	Provide event information target to clients with a minimum balance of KRW10 million per fund
Fund returns notification service	Provide client consultation material to which a fund investment opinion is attached

Increasing rate of returns

In selecting quarterly flagship funds, we comprehensively consider regions and sectors, market conditions, and other factors by combining the opinions of the Research Center and global investment banks. Flagship funds are categorized into active funds by regions and sectors and funds seeking for stable returns. The former is recommended based on market forecasts, while the latter is composed of mid-risk and mid-return product groups. We monitor performances of financial products and make necessary adjustments in funds selection, as part of our efforts to provide the highest rate of returns to clients. In addition, when flagship funds are changed or added, we present opinions to ensure logical, objective fund management.

Product approval committee

When we structure and/or source financial products, we discuss and share details on the adequacy, marketability, and risks of the product's development and sales with all the related departments. A committee bases this information to approve product development and launch, leading to enhanced product development and sales efficiency and seamless supply of products that are adequate for the investment preferences of each client. Products that are subject to council include mutual funds, ELS/DLS, wrap, trust, insurance, and hybrid products that are mainly available for retail clients.

Product council process

Before applying for product council, the "rules on prior inspection of newly launching product" and "financial consumer protection regulations" set forth in the company regulations should be observed. In addition, a "prior agreement of compliance officer" needs to be received before the convening of the committee, and relevant documents must be submitted to the Product Approval Committee Secretariat – currently Product Planning Department.

Product Supply Process

Department applying for council	Product Approval Committee Secretariat
Feedback on whether council will proceed	Convening the committee Convening the sub-committee General approval → Electronic approval

Sustainable Finance

NHIS is enhancing client value and creating shared value by providing financial solutions that consider financial consumer protection and making socially and environmentally responsible investment.

Socially and environmentally responsible investment

NHIS adheres to the principles of responsible investing so that we can offer products and solutions that minimize financial and non-financial risks while reflecting client needs, and also achieve stable earnings while taking social and environmental impact into account.

Our financial products and solutions are reviewed and evaluated not only from the perspective of trends and profitability but also timeliness, stability, and soundness. Objective and proactive follow-up measures further increase a product's profitability and reliability. NHIS lined-up NH-Amundi Victorious Korea Fund that invests in Korean domestic materials, parts and equipment manufacturers, and the fund has risen more than KRW100 billion in three months since its launch in August, 2019 thanks to its focus on revitalization of public offering funds for retail investors.

Sales of Socially Responsible Investment Fund

(Unit: KRW billion)

Product Name	Balance
Hanwha Korea Legend Responsible Investment Securities Feeder-Equity A	5.1
NH-Amundi Long-term Growth Representative Company Equity [Equity] A	2.4
Mirae Asset Long-Term Growth Research Securities Feeder 1 [Equity] A	1.3
MIDAS Responsible Investing Securities (Equity) A1	0.7
Samsung Global Clean Energy Feeder Equity 1-Fund of Funds A	0.4
Multi Asset Global Clean Energy [Equity] A	0.1

Products designed to support farmers

In 2017, we released specialized products designed to raise funds in support of farmers as a way of expanding our role in supporting agriculture and rural communities. Based on the sales amount of products like (CMA) MMW, (ISA) DLB, and Regional Agricultural and Livestock Cooperatives' Savings MMT, we will set aside funds every year to be given to public interest groups that assist farming communities, such as the National Agricultural Cooperative Federation's "I Farm Love".

Sales Performance of Farm-Love Products by NHIS

Product Name	2017	2018	2019
Money trust (KRW trillion)	5.7	6.7	5.8
MMW (KRW billion)	365.6	487.8	753.8
DLS/DLF (KRW billion)	83.3	103.2	50.0

* Raising and delivering funds with an annual KRW 500 million ceiling

Centenarian Age Research Institute

NHIS operates the "Centenarian Age Research Institute" in light of providing financial products and services towards quickly aging society, and thus help clients to enjoy affluent lives in old age. In addition, the Institute conducts research on various subjects related to life after retirement, including health, hobbies and traveling, with a focus on financial investment strategies for people in middle and old age. It also strives to fulfill its social role by providing education and consulting for clients who are getting ready to retire.

Developing dynamic contents and materials for clients for centenarian age of homo-hundred

We develop and provide easy-to-understand content regarding effective methods that help people to manage their assets for affluent life after retirement, and to better understand financial products. In 2019, we published "THE100 Report" every month to help people increase understanding of aging trends, and "THE100 Magazine" every other month to provide practical information on post-retirement planning. We also publish an annual "Korea's Agriculture Community Economy Report" that analyzes the economic status of farmers in Korea and provide it for free of charge through diverse on/offline channels. In addition, we issue various publications related to post-retirement planning.

In 2020, we plan to modify THE100 Report into an easier-to-understand form and increase the number of its production to upgrade its contents qualitatively and quantitatively. We will also launch the mobile version of THE100 Magazine so that it can be easily accessed by a greater number of people. Also, we plan to run a survey towards mid-income families to issue a book that analyzes post-retirement planning tendencies.



CASE STUDY

Developed an industry's first Korean index for post-retirement planning

“ We have adopted a new concept, "economic life expectancy", in considering sufficiency level of assets for life after retirement, which used to be known as necessary funds, thereby helping people to be better aware of their preparation status for post-retirement life. ”

Kim Jin-Wong Vice Director, Centenarian Age Research Institute



In April 2012, Centenarian Age Research Institute announced the "Centenarian Age Preparation Index" in partnership with the Translational Gerontology and Retirement Research Center of Seoul National University. The Centenarian Age Preparation Index is the first Korean index for post-retirement planning developed by a securities company. It reflects not only life expectancy but also life extension tendency to measure the level of preparation for lives in old age based on the age of 100. By using the Index that is available on the website of the Centenarian Age Research Institute, anyone can easily access information that is needed for planning for post-retirement life.

Global Citizenship

NHIS retains and nurtures outstanding talent based on NH Financial Group's HR policy of equal employment opportunity and respect for employee rights.



“NHIS takes an active role in NongHyup's sharing management which promotes the welfare of farmers and the development of local communities.



Jang Jeong-Min
Manager, CSR Department

We constantly remind the value of sharing by running distinctive social contribution programs that are supported by employee participation.

Management Approach

APPROACH

We recognize the importance of a diverse workforce, and we provide variety of training courses which enable our employees to become top-level talent. In addition, as a member of global community, we are expanding our social contribution activities by leveraging our expertise in the securities business and encouraging widespread participation by our employees. We put into practice NH Financial Group's principles of sharing management, thus ensuring that we maintain win-win relationships with our employees, suppliers, and local communities.

MATERIAL ISSUES

- Local community engagement
- Investments and volunteer activities to improve local communities

ACHIEVEMENT

- Around 800 employees participated in 18 Informal Groups (IGs) (as of February 2020)
- Ran the NH Smart Work 3.3.3 campaign
- Expanded nurturing programs with long-term training courses
- Ran a free longevity photographs program
- Supported to develop a digitally advanced environmental setting

FUTURE

- Active communication between labor and management
- Renewal of the collective agreement every year
- Nurture industry's top-tier financial solution providers
- Add at least one more of "Another Town"
- Preserve energy through diverse activities and purchase of high energy efficiency products
- Reporting of the Carbon Disclosure Project (CDP)



800

Number of employees participated in 18 IGs

LINK WITH UN SDGs



Human Rights & Human Resources



Human Rights Management

Policy on human rights protection

NHIS signs a collective agreement with the labor union to enhance employees' work conditions, promote their welfare, and establish a sound work environment. Our collective agreement is based on the fundamental spirit of the Constitution, labor-related laws, and the International Labor Organization (ILO), and is renewed every year through negotiations with the labor union. Renewed content is reflected in the Rules of Employment. In addition, we established work-handling guidelines in relation to workplace sexual harassment and workplace bullying, and are handling the issue according to a process set forth in the guidelines.

Collective agreement

NHIS guarantees the three basic labor rights that are stipulated in Article 33 of the Constitution. The labor union was first established in 1981, and as of the end of December 2019, we have 2,040 employees eligible to join. This number accounts for 67.4% of the total 3,028 employees, including outside directors, and of which, all are members of the union.

Beginning with a formal meeting between the management and labor union in July 2019, we are holding a labor-management council that is stipulated in the Act on the Promotion of Employees' Participation and Cooperation every quarter, and representatives of labor and management are discussing management issues including employee work conditions. Through both official and unofficial channels of networks, we put efforts to build cooperative labor-management relations.

Communication channels & grievance-handling system

We have established the "Communication and Sympathy", an internal website, as a communication channel through which questions are openly asked and replies are given in relation to matters that employees are interested in and suffered from. Through the website, employees can ask inquiries and/or give suggestions to the CEO. Year-round counseling is provided for personal distress of employees through "HRIS", an internal personnel management system. HR Division staff in charge constantly monitors workplace grievance by offering regular personnel consultations to employees.

Industry-leading benefits and welfare system

Loan support For our employees, we offer diverse loan support for the purchase and long-term lease of houses, and we utilize internal labor welfare fund to manage various loan systems such as housing finance loans and livelihood stabilization loans.

Medical and safety accident support In support of our employees and their families' well-beings, we offer our employees with extended annual health checkup that covers additional member of a family member, and we reimburse a portion of the medical expense of our medical expenses of employees' family member. We are insured under the group personal accident insurance policy for any possible incidents.

Pregnancy, maternity & nurturing For employees with subfertility, we offer leave for medical procedure aiming for pregnancy and leave of absence if needed. Employees who give birth are provided with a 120-day maternity leave, and we also support our employees with maternity fringe benefit according to the number of children. We have workplace childcare centers in place for employees with preschool children, and provide schooling fringe benefit support to employees if his/her child does not attend workplace childcare centers. We also operate a tuition support system for employees with children in elementary, middle, and high school and college.

Long distance work We operate the boarding expense support system and the Informal Group (IG) support system in order to strengthen employee communication and to encourage our employees to enjoy their leisure. As of February 2020, approximately 800 employees are participating in 18 IGs.

Vacation In addition to annual leave, we operate the refresh vacation system and sabbatical year vacation system for the benefit of our employees. The refresh vacation system allows the benefit of supporting funds when an employee uses an annual leave for five consecutive days in a year, and is used by around 400 employees a year. The sabbatical year vacation system allows an employee to have an equal number of paid days if he/she uses an annual leave of more than 2.5 days and less than 5 days. Long-serving employees are qualified to take sabbatical year, every five years.

Improved benefits and welfare system In 2019, NHIS sought to improve employee accessibility and convenience when they apply for employee benefits and welfare, and how they receive fringe benefit. To this end, we simplified the process of submitting year-end tax adjustment documents and submitting of a medical expense application. We have also established an internal website called "NHOW", which helps employees easily understand our benefits and welfare systems.

Flexible working hours

In 2019, NHIS conducted "NH Smart Work 3.3.3" campaign, in order to promote effective working hours by shortening work hours, in line with the adoption of the 52-hour workweek system. To minimize the negative impact that shortened work hours may have on the company's business, we adopted various flexible work arrangement, including flextime.

Expanding the adoption of RPA

In 2020, NHIS will expand the adoption of robotic process automation (RPA) for repetitive work that was previously handled manually so as to enhance accuracy and to increase work efficiency of staff. The types of work to which RPA will be applied include automatic deduction of payment made by employee ID card to his/her salaries.

Human Resources Management

Ideal employee

NHIS defines ideal employees as talent who clearly understands and carries out six core values¹⁾ by unlocking his/her full potential, and thus contributes to the company's vision – aiming for beyond No. 1 in the capital market as Korea's representative financial investment company.

Open recruitment

We practice open recruitment where we focus on practical affairs and hands-on competencies, and do not discriminate on the basis of regional, educational background, age, or gender. We are working towards gender equality by increasing the ratio of female employees and managers in stages. We are also striving to focus on building a diverse workforce by recruiting with the consideration to the disabled, veterans, graduates of regional schools, and the underprivileged. When hiring for regional positions, we recruit from vocational school graduates to expand employment opportunities to high school graduate talent. We also help women reenter the workforce by offering various employment opportunities to women with discontinued careers.

Job security and efforts to attract talent

We offer contract employees a chance to become indefinite contractual employees if they work for NHIS more than a year, so that they can exercise their abilities in a stable work condition. We also strive to provide equal welfare and benefits, which our full-time employees receive, to contract workers. In the meanwhile, in order to attract talent with global insights and professional capabilities, we hold an annual career fair for overseas MBA graduates, and actively participate in the career fair of financial industry. We also offer employment opportunities for talented people who have work experience in a variety of fields.

¹⁾ ORIGIN: Orientation, Responsibility, Innovation, Global, Intelligence, Networks

Fair performance evaluation and HR system

NHIS drives toward performance excellence and offers all employees with equal and fair opportunities based on their abilities and talents. Objective evaluation is delivered according to their performances, and bonuses and incentives are offered depending on the level of the individual and/or group contribution toward the performance. To improve the timeliness of employee evaluation and compensation, we carry out regular personnel evaluation twice a year.

We utilize multifaceted evaluations, linking personal performance to team's, and peer reviews in order to encourage our employees to pursue teamwork-based performance. We also have a system to give feedbacks and make an appeal in place, aimed at protecting employee rights from unfair evaluations. Moreover, the Talent Development Committee, which is overseen by the CEO and meets regularly to select and nurture talented employees, further motivates employees to take the initiative in self-development.

Diversifying training programs

NHIS provided a wide array of training programs in 2019 to nurture industry's top-tier financial solution providers. We stretched our nurturing programs based on long-term training for our employees, and actively used them for knowledge expansion and career-path management for diverse areas of work. We strengthened trainings aimed at enhancing sales capability with a focus on client-centered process value, and nurturing digital talent. We provided four-day training course on data utilization to more than 100 employees, and offered various digital-related professional courses, thereby helping our employees increase their digital capabilities.

Training System Programs

	Basic		Nurturing leaders			
	Common		Leadership		Key talent	
CEO/ executive	NongHyup philosophy training	Common	Online training for executives		External training	
Dept. head Center director			Online leadership training			NH Leader's Special Lecture
General manager			Training for new managers	Course for newly promoted employees	Nurturing of key talent (Training support program)	
Manager					Nurturing key talent (Training support program)	
Assistant manager					Nurturing key talent (Training support program)	
Staff						
Newly hired	Introductory program for new employees → On the job training → Follow-up					

Impact on Local Communities



Sharing Management

Upholding NongHyup's "sharing management" that aims to promote the welfare of farmers and to contribute to the development of local communities, NHIS runs distinctive social contribution programs that are participated by all employees. Our employees take active part in donations and volunteer groups within the company. In addition to local community engagement, we carry out unique, various social contribution activities, including joint voluntary service with NH Financial Group and scholarship programs.

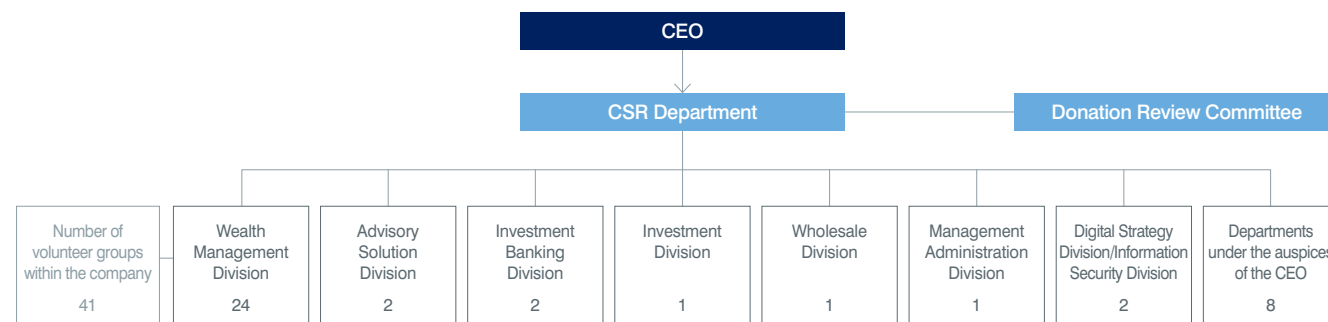
CSR Directions

- Carry out social contribution activities that leverage our expertise as a securities company and as a subsidiary of NH Financial Group
- Expand volunteering activities through participation of employees
- Improve the activities' effectiveness through selection and concentration
- Conduct continued and systematic activities

Volunteer groups within the company

We have been operating volunteer groups since 2011, with the CSR Department under the auspices of the CEO, in order to spread the culture of sharing and to facilitate social contribution activities. The volunteer groups are run by all employees, with the exception of such employees as those working at overseas subsidiaries, employees on leave of absence, and dispatched staff, giving a helping hand to the underprivileged throughout our society. Using CSR funds that are raised through employee donation and company's additional supporting funds, 41 volunteer groups, formed across different business divisions, carry out various volunteer activities such as volunteering at home and abroad as well as corporate-wide social contribution activities.

CSR Organization



CSR Activities

Angel Fund

NHIS has been operating the "Angel Fund" since 2005 to for underserved communities and children in partnership with NGOs. Employees can voluntarily donate a portion of their monthly salary to the Fund, and can use the company intranet to adjust the amount of their donation and their preferred support program. The company also makes direct donations to the Fund. Nearly KRW 440 million of funds have been raised over the last three years and being used for various donations and sponsorship activities.

As leading examples, NHIS sponsors Community Chest of Korea which helps the underprivileged and children, Miral Welfare Foundation which sponsors underfed children, and Korea Pediatric Cancer Foundation which provides financial support for children with cancerous diseases such as leukemia. We also have a health support program for residents of rural farming areas that have limited access to healthcare service.

Angel Fund Performance in 2019

(Unit: KRW)

Sponsored organization	Notes	Amount
Miral Welfare Foundation	Support for underfed children	60,000,000
Korea Pediatric Cancer Foundation	Financial support for children with cancerous diseases	50,000,000
Wonju Health Welfare Social Cooperative	Health checkup and health care education to residents in rural farming areas	36,400,000
Total		146,400,000

Volunteer groups

We raise the CSR fund within the company with the support of employee's voluntary donations and the company's supporting funds. Regular voluntary visits to the facilities and organizations that need a helping hand. By establishing sisterhood ties with organizations and facilities, we provide continuous support, such as providing a helping hand, volunteering to give out free meals, providing daily necessities, and offering support to cover living expenses to give a hope.

Education & scholarship

Since 2005, NHIS has been selecting 40 outstanding high school students from low-income families every year. By 2019, we have provided scholarship to total of 482 students, thereby helping them to devote themselves to their schoolings. Scholarship beneficiaries are chosen from among students from low-income families who have fallen through the social welfare safety net, and being excluded from government and local government scholarship and welfare programs.

We provide support to cover all school expenses, including tuition, day-to-day school expenses, and meals, and also give each student with KRW 2 million incentives for entering college. Our employees support as mentors to these students, providing guidance on school life and future careers, and build long-term supporting ties with them. Since 2017, we have been giving priority to students in farming villages.

CSR website

NHIS has created the CSR website to facilitate employee participation in social contribution activities and to promote cultural diffusion of donation to the needs. The intuitive and simple page format enables employees to take active part, and we also make continuous efforts to communicate through community space where employees can share stories of their personal experiences of social contributions.

Transparent Partnership

NHIS ensures greater convenience and transparency in transactions with its partner companies by using an electronic procurement system (NICEDocu, www.nicedocu.com) in accordance with outsourcing rules of the company. We forbid any biased evaluations which restrict bidding according to the size of the cooperative firms and suppliers, and undertake all transactions with full transparency and based on clearly-defined standards.

In order to ensure that all transactions meet these standards of transparency, we have signed an integrity agreement with 40 registered firms and 128 suppliers. Upon signing the contract, we undertake an ethics survey drawn up by the Compliance Department to check that the employee in charge has observed all relevant laws and procedures at all times. There were no incidents of a contract being terminated due to corruption or violation of laws during the current reporting period.

Minimizing Environmental Impact

NHIS makes a wide range of efforts to increase societal awareness of environmental issues and to reduce negative environmental impact for sustainable development. We are engaging in eco-friendly activities such as purchasing high energy efficiency products and reducing energy consumption, and are actively taking part in international initiatives to respond to climate change, such as reporting to the Carbon Disclosure Project (CDP) every year.

Energy management and saving

NHIS utilizes a greenhouse gas data management system (ECO-partners.co.kr) in order to collect and analyze data related to the environment, including emissions of greenhouse gases, the production of waste, and energy consumption. We are reducing our energy consumption in a number of ways, including electric energy saving drive by shutting down the lights during non-office hours and energy preservation through limited usage of air-conditioning and electric heating devices.

Purchasing high-efficiency, eco-friendly products

NHIS uses only eco-friendly and asbestos-free materials in construction projects at its headquarter building and branches. We also make purchases and/or sign lease terms for high-efficiency water and air purifiers made by eco-friendly green companies. We consider health safety and the environmental wellness as our highest priority by conducting an in-depth asbestos assessment ahead of every construction project, and an additional fire-resistance test after construction is complete, as well as thorough electrical safety inspections. Non-recyclable materials are parted and then sent to specialist processors after construction has been completed in order to prevent environmental pollution.

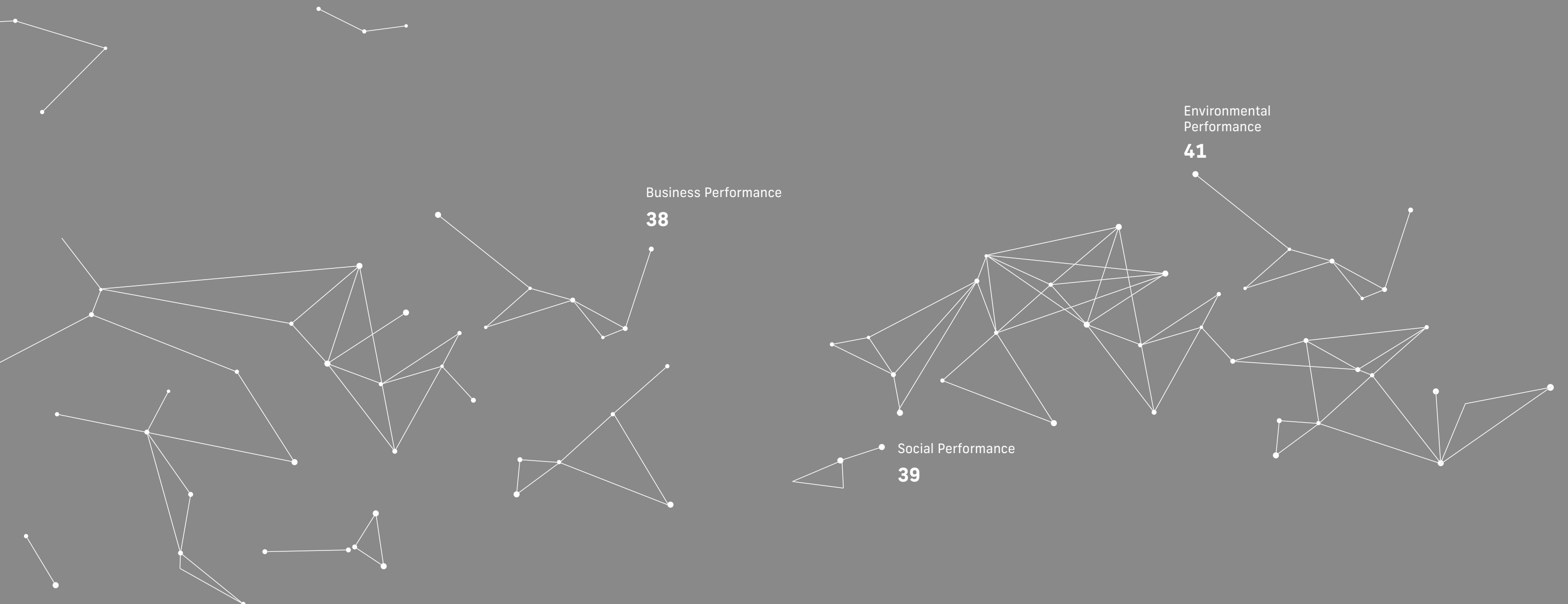
Paperless digital counters

NHIS is reducing the use of paper by eliminating all unnecessary printouts, and by using electronic reporting systems. Our advisors in WM Division are now using tablet PCs to provide digital and paperless financial counseling services to clients. We have also set up a digital system which enables us to send investment information via social media and email, and we continue to expand the areas in which we can work digitally.

Waste management

The processing of all waste generated at NHIS is outsourced to a specialist waste processing company. We are minimizing the environmental impact of our waste generation by enforcing a strict system of waste separation and recycling.

Sustainability Factsheet



Business Performance

Summarized Consolidated Statements of Financial Position

(Unit: KRW million)

Category	2017	2018	2019
Cash and cash equivalents	597,111	637,714	996,123
Financial assets at fair value through profit or loss	25,239,638 ¹⁾	36,357,329	32,663,997
Derivative assets (hedging)	5,899	3,229	2,207
Available-for-sale financial assets	6,311,849	-	-
Financial assets at fair value through other comprehensive income	-	3,524,221	4,135,531
Loans and receivables	11,107,593	-	-
Financial assets at amortized cost, net	-	12,240,692	11,617,742
Investments in associates	66,287	75,296	149,430
Property and equipment, net	300,349	296,788	126,205
Investment properties, net	53,401	51,129	55,621
Intangible assets, net	20,500	17,365	58,040
Right-of-use assets	-	-	42,176
Current tax assets	3,783	28,493	4,965
Deferred tax assets	91,482	14,368	1,665
Other assets	94,847	175,948	221,350
Total assets	43,892,739	53,422,572	50,075,052
Deposits due to customers	3,080,583	4,045,450	4,338,343
Financial liabilities at fair value through profit or loss	14,926,262 ¹⁾	22,692,593	17,300,812
Derivative liabilities (hedging)	7,881	3,722	4,324
Borrowings	14,993,801	15,607,391	17,552,720
Debentures	3,499,901	3,825,699	2,669,925
Other financial liabilities	2,443,852	2,060,178	2,638,373
Provisions	4,584	18,444	28,511
Current tax liabilities	6,684	-	26,116
Deferred tax liabilities	811	-	18,035
Other liabilities	92,173	115,292	105,808
Total liabilities	39,056,532	48,368,769	44,682,967
Equity attributable to equity holders of the parent	4,830,600	5,047,617	5,385,079
Capital stock	1,531,275	1,531,275	1,531,275
Capital surplus	1,518,635	1,516,744	1,519,983
Other components of equity	167,129	167,118	176,433
Retained earnings <small>(The beginning balances of regulatory reserve for credit loss as of December 31, 2019, 2018 and 2017, amount to KRW 62,696 million, KRW 76,960 million, and KRW 12,403 million, respectively. The amounts estimated to be transferred into reserve as of December 31, 2019, 2018 and 2017, amount to KRW 11,931 million, KRW 14,265 million, and KRW 64,557 million, respectively.)</small>	1,613,561	1,832,480	2,157,388
Non-controlling interests	5,607	6,186	7,006
Total equity	4,836,207	5,053,803	5,392,085
Number of entities included in consolidation	58	66	75

* The figures of 2019 and 2018 are based on K-IFRS No. 1109 that was not applied retrospectively to the figures of 2017

¹⁾ 2017 accounting policy: Classification of financial assets at fair value through profit or loss

Summarized Consolidated Statements of Comprehensive Income

(Unit: KRW million)

Category	2017	2018	2019
Operating revenue	9,545,474	9,241,348	11,503,545
Operating expenses	9,086,270	8,701,204	10,928,158
Operating income	459,204	540,144	575,387
Net income before income tax expense	442,548	504,765	633,217
Income tax expense	92,915	143,292	156,839
Net income	349,633	361,473	476,378
Total other comprehensive income	-37,637	28,236	9,274
Total comprehensive income	311,996	389,709	485,652

Stability

(Unit: %)

Category	2017	2018	2019
Current ratio (3-month accumulated)	124	134	147
Debt to equity ratio ¹⁾	113	111	112
Net capital ratio ²⁾	1,811	1,365	1,308

¹⁾ Real asset / Real debt x 100 (based on true value)

²⁾ ((Net operating capital - Gross risk) / Minimum required equity capital) x 100

Profitability

(Unit: %)

Category	2017	2018	2019
Operating margin	4.81	5.85	5.00
Gross margin	12.24	13.33	12.06
Return on assets	0.81	0.74	0.95
Return on equity	7.40	7.31	9.12

Growth

(Unit: %)

Category	2017	2018	2019
Revenue growth	7.96	-3.19	24.48
Fixed asset growth	-2.33	-1.19	-57.48
Net income growth	48.01	3.39	31.79
Total asset growth	2.15	21.71	-6.27
Operating income growth	52.08	17.63	6.52

Creation and Distribution of Economic Value

(Unit: KRW million)

Stakeholders	Items	2017	2018	2019
Shareholders	Dividend	150,610	150,610	150,742
Employees	Salaries, severance benefits, employee benefits, early retirement allowances	501,971	468,758	571,639
Clients	Interest expenses	247,838	343,378	414,222
Local communities	Donations	2,370	1,936	5,782
Government	Income tax	92,915	43,291	156,839
Suppliers	Electronic data processing expenses, business outsourcing, commissions paid	65,662	76,783	77,373

Social Performance

Gift Return Center Operation

(Unit: Case)

Category	2017	2018	2019
No. of returns	2	2	3
No. of donations	-	1	-

Training on Ethics & Compliance

(Unit: Case)

Category	2017	2018	2019	
Regular ethics & compliance training	All department CMs & team heads	2	2	2
Outside lecturer training	Staff at relevant department	2	2	2
On-demand training	New employees, upon department request	24	28	27

* Only includes group training and excludes video training offered to all employees – ethics training (40 times per year), money laundering prevention training (once per year), and unfair trade prevention training (once per year)

Violations of Laws

Date	Institution	Category	Reason for measure	Details	
2017	May 18	Financial Services Commission (FSC)	Sector inspection by FSS (Nov. 2015)	Violation of ban on receiving unjust gains	Institutional caution
		Financial Supervisory Service (FSS)			KRW 77.5 million of fine
	Apr. 26	Fair Trade Commission	-	Violation of regulation regarding public disclosure on current status of enterprise group by affiliated companies belonging to the enterprise group subject to limitations on mutual investment	KRW 5 million of fine
				Public disclosure error: Date indication error (Jan. 12, 2015 → Jan. 20, 2015)	
2018	Mar. 7	FSC	Sector inspection by FSS (Sep. 2017)	Violation of obligation to confirm explanation	KRW 6 million of fine
	Dec. 2	FSC	Inspection by FSS (May 2018)	Violation of obligation to submit a report on the results of issuance of securities	KRW 7.5 million of fine
2019	Jun. 26	FSC	Sector inspection by FSS (Sep. 2018)	Violation of the fiduciary duty of due care	KRW 18 million of fine
		FSC		Violation of prohibition of a comprehensive financial investment business entity's credit granting to an affiliate	KRW 352 million of penalty
2019	Nov. 6	FSS	Comprehensive inspection by FSS (Jun. 2018)	Violation of obligation to submit a business report (KRW 4.8 million)	
				Violation of prohibition of resale of securities after underwriting (KRW 90 million)	KRW 114.8 million of fine
				Violation of prohibition on recommending investments in subordinated bonds issued by its own-affiliate (KRW 20 million)	
				Violation of limit on credit granting	Institutional caution

Violations of Regulations

(Unit: Case)

Category	2017	2018	2019
Related to program trading	3	4	0
Related to conflicts of interest	5	0	0
Related to order record maintenance	10	4	5
Related to unfair trade practices	3	1	0
Violation of money transaction between employees	1	0	0

* Items detailed in "Compliance office notice" issued upon minor breach of company regulations

Internal Reporting Channel

(Unit: Case, %)

Category	2017	2018	2019
No. of reporting	0	4	3
No. of handling	0	2	1
Handling rate	-	50	33

* Handling: The reported content was identified as being true and an employee measure was taken

External Reporting Channel

(Unit: Case, %)

Category	2017	2018	2019
No. of reporting	2	14	15
No. of handling	0	3	3
Handling rate	0	21	20

* Handling: Includes reports for which an actual investigation was carried out on a violation, such as a violation of the Employee Code of Conduct (others are grievances)

Voice of Clients

(Unit: Case, %)

Category	2017	2018	2019
No. of reporting	12,564	18,920	19,521
No. of handling	11,705	17,941	19,143
Handling rate	93.20	94.80	98.10

Centenarian Age Life Academy

(Unit: Session, Person)

Category	2017	2018	2019
No. of sessions	27	20	23
No. of average participants	41	70	104

* The Academy is a lecture series open to the public, providing educational contents that help clients manage their lifetime assets, and is overseen by the Centenarian Age Research Institute

Centenarian Age Life College

(Unit: Session, Person)

Category	2017	2018	2019
No. of sessions	2	2	2
No. of average participants	71	72	69

* The College is held twice a year and is overseen by the Centenarian Age Research Institute

Investment Seminars for Clients (for over 100 people)

(Unit: Session, Person)

Category	2017	2018	2019
No. of sessions	6	7	11
No. of average participants	375	310	265

* Maekyung Overseas Investment Forum, overseas bond seminars (Brazil/Russia/Mexico, etc.), Derivative linked securities (ELS/DLS) seminars, NH Research Forum, etc. (Unit: Person, Hour)

Training on Information Protection

(Unit: Person, Hour)

Category	2017	2018	2019
No. of participants	2,764	2,806	2,938
Training hours	16,959	16,731	18,522

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

Personal Information Leakage

(Unit: Case)

Category	2017	2018	2019
No. of incidents	0	0	0

Electronic Financial Fraud

(Unit: Case)

Category	2017	2018	2019
No. of incidents	0	0	0

Employees

(Unit: Person (Ratio))

Category	2017	2018	2019	
Total number of employees	2,863	2,980	3,028	
New employee hires	Male	59 (54.1)	123 (56.7)	114 (58.2)
	Female	50 (45.9)	94 (43.3)	82 (41.8)
Employee turnover	Male	50 (51.0)	72 (58.5)	73 (53.3)
	Female	48 (49.0)	51 (41.5)	64 (46.7)
Employment type	Full-time	2,252 (78.7)	2,277 (76.4)	2,257 (74.5)
	Part-time	611 (21.3)	703 (23.6)	771 (25.5)
Region	Domestic	2,853 (99.7)	2,967 (99.6)	3,016 (99.6)
	Overseas	10 (0.3)	13 (0.4)	12 (0.4)
Position	Executive	52 (1.8)	61 (2.0)	64 (2.1)
	Managerial	1,629 (56.9)	1,716 (57.6)	1,847 (61.0)
	Staff	1,182 (41.3)	1,203 (40.4)	1,117 (36.9)
	20s	121 (4.2)	196 (6.6)	237 (7.8)
Age	30s	1,209 (42.2)	1,179 (39.6)	1,138 (37.6)
	40s	1,151 (40.2)	1,117 (37.5)	1,069 (35.3)
	Over 50s	382 (13.3)	488 (16.4)	584 (19.3)
Gender	Male	1,748 (61.1)	1,797 (60.3)	1,815 (59.9)
	Female	1,115 (38.9)	1,183 (39.7)	1,213 (40.1)

Labor Union

Category	Unit	2017	2018	2019
No. of employees eligible to join the labor union	Person	2,050	2,050	2,040
No. of employees joined the labor union	Person	2,049	2,050	2,040
Membership rate	%	99.9	100	100

Employee Diversity

(Unit: %)

Category	2017	2018	2019	
Female leadership	Position			
	Percentage of females among total workforce	38.9	39.7	40.1
	Percentage of females among total managerial workforce ¹⁾	19.3	20.1	22.0
Employment type	Percentage of females among part-time workers	23.6	26.2	27.1
	Percentage of females among full-time workers	43.1	43.9	44.5
Others	Percentage of high school graduates	7.0	7.5	7.6
	Percentage of veterans	3.1	3.1	3.1
	Percentage of the disabled	0.9	1.1	1.1

¹⁾ Managers and above

Training Hour and Expense per Person

(Unit: Person (Ratio))

Category	Unit	2017	2018	2019	
Average training hour per person	Male	Hour/Person	99	77	58
	Female	Hour/Person	100	84	74
Average training expense per person	KRW	527	562	856	
	1,000/Person				

Training Hour per Person by Job Type

(Unit: Hour/Person)

Category	2017	2018	2019
Branch sales staff	113	92	83
Branch support staff	94	86	93
Headquarter sales staff	82	65	46
Headquarter support staff	103	81	57

Environmental Performance

Parental Leave

(Unit: Person, %)

Category		2017	2018	2019
No. of employees used parental leave	Male	2	2	3
	Female	69	75	49
No. of employees returned to work after parental leave	Male	0	2	1
	Female	65	57	70
No. of employees remained for 12 months after returning from parental leave	Male	0	0	1
	Female	62	57	69
Return rate	Male	0.0	100.0	33.3
	Female	94.2	76.0	142.9
Retention Rate	Male	0	0	100
	Female	95	100	99

Support for Health Check-up

Category	Unit	2017	2018	2019
No. of people eligible to receive health check-up support (employees)	Person	4,456 (2,697)	3,948 (2,668)	4,533 (2,806)

CSR Support

Category	Unit	2017	2018	2019	
CSR funding	Donations	KRW 100 million	23	19	58
	CSR fund	KRW 100 million	0.92	1.10	1.43
No. of participants in CSR activities	Person	6,481	5,773	5,820	
Hours of participation in CSR activities	Hour	33,015	31,705	31,291	

Sharing Management Activities

Category	Unit	2017	2018	2019
Angel Fund support	KRW 10 million	15	15	15

Another Town

Category	Unit	2017	2018	2019
Number of faming villages	Village	30	29	32
Number of visit to faming villages	Case	51	71	67
No. of participants	Person	1,571	1,721	1,661
Employee participation rate	%	34	58	55

Energy Consumption

(Unit: 1,000 m³)

Category	2017	2018	2019
City gas (LNG)	40.0	39.5	33.2

(Unit: ℓ)

Category	2017	2018	2019
Diesel oil	250	260	215

(Unit: Kwh)

Category	2017	2018	2019
Electricity	6,533,019	6,432,496	6,389,736

Greenhouse Gas Emissions

(Unit: tCO₂eq)

Category	2017	2018	2019
Direct emissions (Scope I)	88.5	87.3	73.6
Indirect emissions (Scope II)	3,046.2	2,999.4	2,979.4

Water & Paper Consumption

(Unit: Ton)

Category	2017	2018	2019
Water consumption	38,300	41,772	39,002
Paper consumption	100.0	98.0	100.0

Waste Disposal

(Unit: Ton)

Category	2017	2018	2019
General waste	300	300	140
Specified waste	60	60	71
Amount of waste recycled	120	120	120

* The scope of environmental reporting covered only the headquarter building and branches in Korea. Affiliates, subsidiaries, suppliers and overseas branch offices have been excluded

Appendices

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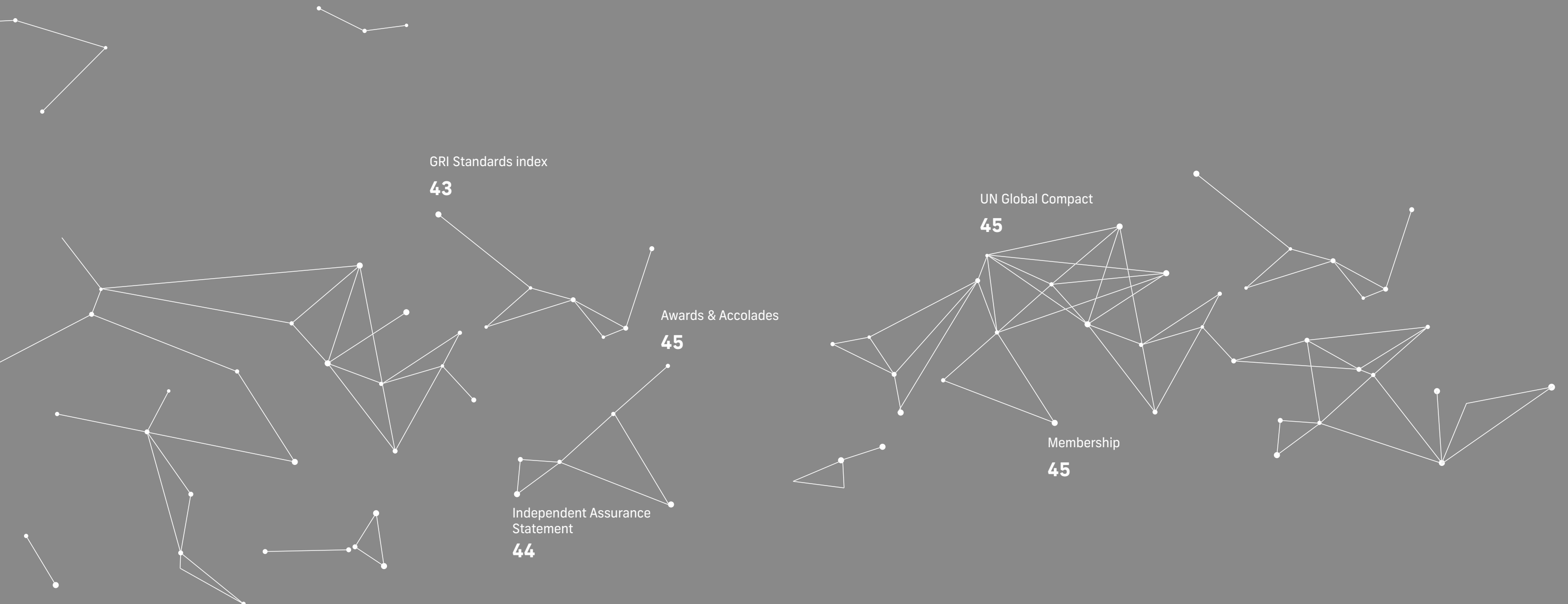
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Required for Core	GRI Standards Number	Disclosure Number	Title	Reporting Boundary	Page
Core	GRI 102	102-1	Name of the organization	Company Profile	5
Core	GRI 102	102-2	Activities, brands, products, and services	Company Profile	5
Core	GRI 102	102-3	Location of headquarters	Company Profile	6
Core	GRI 102	102-4	Location of operations	Company Profile	6
Core	GRI 102	102-5	Ownership and legal form	Company Profile	5-6
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Core	GRI 102	102-7	Scale of the organization	Company Profile	5-6
	GRI 102	102-8	Information on employees and other workers	Social Performance	40
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Core	GRI 102	102-16	Values, principles, standards, and norms of behavior	Ethical Management	24
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Core	GRI 102	102-18	Governance structure	Corporate Governance	19-20
	GRI 102	102-22	Composition of the highest governance body and its committees	Corporate Governance	19-20
	GRI 102	102-28	Evaluating the highest governance body's performance	Corporate Governance	20
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Core	GRI 102	102-40	List of stakeholder groups	Stakeholder Engagement	20
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Core	GRI 102	102-42	Identifying and selecting stakeholders	Stakeholder Engagement	20
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Core	GRI 102	102-44	Key topics and concerns raised	Material Issues	21
Core	GRI 102	102-45	Entities included in the consolidated financial statements	Business Performance	38
Core	GRI 102	102-46	Defining report content and topic boundaries	Material Issues	21
Core	GRI 102	102-47	List of material topics	Material Issues	21
Core	GRI 102	102-48	Restatements of information	About This Report	2
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Core	GRI 102	102-53	Contact point for questions regarding the report	About This Report	2
Core	GRI 102	102-54	Claims of reporting in accordance with the GRI Standards	About This Report	2
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Required for Core	GRI Standards Number	Disclosure Number	Title	Reporting Boundary	Page
Core	GRI 102	102-56	External assurance	Independent Assurance Statement	44
	GRI 103	103-1	Explanation of the material topic and its boundary	Management Approach of the Sustainability Impact Section	23
	GRI 103	103-2	The management approach and its components	Management Approach of the Sustainability Impact Section	29
	GRI 103	103-3	Evaluation of the management approach	Management Approach of the Sustainability Impact Section	34
	GRI 201	201-1	Direct economic value generated and distributed	Business Performance	38
	GRI 203	203-1	Infrastructure investments and services supported	Social Performance	41
	GRI 205	205-3	Confirmed incidents of corruption and actions taken	Social Performance	39
	GRI 206	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Social Performance	39
	GRI 302	302-1	Energy consumption within the organization	Environmental Performance	41
	GRI 303	303-1	Water withdrawal by source	Environmental Performance	41
	GRI 305	305-1	Direct (Scope 1) GHG emissions	Environmental Performance	41
	GRI 305	305-2	Energy indirect (Scope 2) GHG emissions	Environmental Performance	41
	GRI 401	401-1	New employee hires and employee turnover	Social Performance	41
	GRI 401	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Human Rights & Human Resources	35
	GRI 401	401-3	Parental leave	Social Performance	41
	GRI 404	404-1	Average hours of training per year per employee	Social Performance	40
	GRI 404	404-2	Programs for upgrading employee skills and transition assistance programs	Human Rights & Human Resources	35
	GRI 405	405-1	Diversity of governance bodies and employees	Social Performance	40
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	GRI 413	413-1	Operations with local community engagement, impact assessments, and development programs	Sharing Management	36
				Social Performance	41
	GRI 417	417-3	Incidents of non-compliance concerning marketing communications	Social Performance	39
	GRI 419	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Social Performance	40
	GRI 414	419-1	Non-compliance with laws and regulations in the social and economic area	Social Performance	39
		FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Sustainable Finance	33

Independent Assurance Statement

Introduction

NH Investment & Securities Co., Ltd. (“NHIS”) commissioned DNV GL Business Assurance Korea Ltd. (“DNV GL”), part of DNV GL Group, to undertake independent assurance of the 2020 NHIS Sustainability Report (the “Report”). The directors of NHIS have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of NHIS in accordance with the terms of reference. DNV GL’s assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith.

Scope and Basis of Assurance

Based on non-financial data and sustainability activities and performance data of 2019 generated from NHIS, we have evaluated the adherence to AA1000 Accountability Principles (AP) 2018 and assessed the quality of sustainability performance information. We have reviewed that the general disclosures and topic-specific disclosures of GRI Standards which are identified in the process for defining report content;

No.	Material Topic	GRI Disclosure
1	A decision-making process and structure that executes socially responsible management and unifies a corporate culture	102-11, 102-43
2	Activities to increase the awareness of ESG-related products and services	G4 Sector Disclosures FS7
3	Investments and volunteer activities to improve local communities	413-1
4	Local community engagement	203-1
5	Anti-corruption	205-3, 419-1

We performed our work using AA1000 Assurance Standard (AA1000AS, 2008) with 2018 Addendum and DNV GL’s assurance methodology VeriSustain™¹ (Version 5) which is based on our professional experience, international assurance best practices. DNV GL provides Type 1 and the moderate level of assurance and we applied the Type 2 for the selected sustainability data. The assurance was carried out from March and till May 2020. The site visits were made to headquarters of NHIS in Seoul, Korea. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting system as they relate to selected content and performance data;
- reviewed the materiality assessment report

Limitations

The engagement excludes the sustainability management, performance and reporting practices of NHIS’ subsidiaries, suppliers, contractors and any third-parties mentioned in the Report. DNV GL did not interview external stakeholders as part of this Assurance Engagement. Economic performance based on the financial data is cross-checked with internal documents, the audited consolidated financial statements and the announcement disclosed at the website of Korea Financial Supervisory Service (<http://dart.fss.or.kr>) as well as NHIS’ website (www.nhqv.com). These documents, financial statements and the announcements are not included in this Assurance Engagement. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. The baseline data for environmental and social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the reported data and information disclosed in the Report do not give a fair representation of NHIS related sustainability performance. Further opinions with regards to the adherence to the Principles are made below;

The Principle of Inclusivity

NHIS has identified internal and external stakeholder groups such as Shareholders and investors, Government and related organizations, Customers, Employees, and Local communities. During the reporting process, NHIS engages with stakeholders to monitor the expectations and concerns on NHIS’ sustainability management. The definition of the stakeholder and the engagement method by stakeholder are explained in the report.

The Principle of Materiality

NHIS has conducted the materiality assessment to prepare the Report. NHIS identified the sustainability issues through analysis of global initiatives and standards, the topics which industry peer group considers material and the news story and articles on NHIS in mass media. NHIS used the internal and external stakeholder survey to prioritize the issues and finally selected 5 important issues as material topics. The assurance team confirmed that the material issues was reflected in the report. However, in order to enhance the level of social responsibility and strengthen the management of social and environmental risks, we recommend that NHIS reflect the sustainability agenda in the corporate decision-making process and manage it regularly. In addition, it is possible to consider ways to reflect global sustainability issues of increasing importance, such as climate change and human rights, and sustainability issues related to the financial sector, such as social and environmental risk management policies and processes, into NHIS’ sustainability strategy or tasks.

The Principle of Responsiveness

The report presents NHIS’ sustainability strategy which includes management objectives and key tasks. In addition, the report discloses the business results, decisions, key performance and future plans on material topics in terms of sustainability expected by stakeholders. NHIS is pursuing new performance-related activities in connection with business, as well as local community issues, such as developing financial solutions considering social issues and publishing the first ESG report in Korea, in response to the needs of stakeholders such as shareholders, investors, and the government. In the future, it is recommended to present measurable targets from a long-term perspective and systematically report progress on material topics in terms of sustainability. In addition, in line with efforts to expand global business, measures to expand the engagement of overseas stakeholders such as global investment institutions could be considered.

The Principle of Impact

The report presents activities and its impacts of material topics identified from the materiality assessment. In particular, the report provides information on sustainable finance related activities and performance, such as providing financial solutions to protect the rights of financial consumers and responsible investment considering social and environmental risks. The first ESG Report published by NHIS in Korea is expected to contribute to increasing the importance of non-financial factors in the domestic financial market.

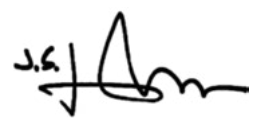
Reliability of Specific Sustainability Performance Information

DNV GL has evaluated the adherence to 4 principles in the AA1000 Accountability Principles(AP)2018 as described above by applying Type 1 methodology. The reliability of the selected data including water consumption, Electric power consumption, diesel oil consumption, greenhouse gas emissions and volume of waste generated are verified with Type 2 methodology. DNV GL has interviewed the data owners in order to figure out the data control process and verified the selected data against the relevant documents and records. Data owners in NHIS can explain the source of data and data handling process and demonstrate to trace the consolidated data back to the raw data set in a reliable manner. Some errors and incorrectly described information identified during the verification process have been corrected. The assurance team has not noted any intentional error or misstatement regarding the selected data.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 – Conformity assessment requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with NHIS and did not provide any services to NHIS in 2020 that could compromise the independence or impartiality of our work.

May 2020
Seoul, Korea



Jang Sup Lee, Country Representative
DNV GL Business Assurance Korea Ltd.



¹ The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)

* DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)

Awards & Accolades

- Jan. 3, 2019**
Gold Prize in the Securities Category, 28th Dasan Finance Awards (Financial Services Commission, The Korea Economic Daily)
- Jan. 24, 2019**
IB Top Prize, 8th Yonhap Infomax Finance Awards (Yonhap Infomax)
- Jan. 30, 2019**
Best Securities Firm, 2018 Best Securities Firm for Research & Best Analyst Awards (Chosun Ilbo, FnGuide)
- Jan. 31, 2019**
Compliance Grand Prize in the Excellent Internal Control Category, 2018 Compliance Awards (Korea Exchange)
- Feb. 14, 2019**
Best Seller, 10th Asia Fund Awards (The Asia Business Daily, FnGuide)
- Feb. 19, 2019**
Best Underwriter Grand Prize & Best Syndication Loan Underwriter, 16th Korea IB Awards (MoneyToday)
- Feb. 21, 2019**
Gold Prize in the Investment Banking Category, 2019 Maekyung Securities Awards (Maekyung Economy)
- Feb. 22, 2019**
Comprehensive Grand Prize, 10th Korea IB Awards (The Korea Economic Daily, Market Insight)
- Feb. 26, 2019**
Fund House of the Year, 2019 Korea Wealth Management Awards (thebell)
- Feb. 26, 2019**
Financial Services Commission Chairman Award, 7th Capital Market Awards (Newspim)
- Mar. 18, 2019**
Financial Investment Category, 2018 Fund Management Partner of the Year (The Korean Teachers' Credit Union)
- Apr. 8, 2019**
Special Award in the Subscriber Educational Assistance/Risk Management Category, 5th Korea Retirement Pension Awards (Maekyung Media Group, FnGuide)
- Apr. 18, 2019**
Comprehensive Grand Prize, 2019 edaily Financial Investment Awards (edaily)
- May 2, 2019**
IB Grand Prize, 2019 Herald Business Capital Markets Awards (Herald Business)
- Jun. 12, 2019**
Top of the Best in the Securities Category, 10th MTN Analyst Grand Prize (Money Today Network, FnGuide)
- Jun. 13, 2019**
Deputy Prime Minister and Minister of Economy and Finance Award in the Sustainability Management Category, 13th National Sustainability Management Conference (Association of Korean Journalists)
- Jul. 1, 2019**
Best Award in the Private Pension Securities Category, 6th Korean Pension Awards (Money Today)
- Sep. 4, 2019**
No. 1 in the Securities Category, 2019 1H Best Government Bond Dealer Awards (Ministry of Economy and Finance)
- Sep. 27, 2019**
Top Prize for Investment Bank in Securities Category, 2019 Asia Today Financial Awards (Asia Today)

- Oct. 24, 2019**
IB Category Award, Hankyung TV Global Finance Awards (Hankyung TV)
- Oct. 31, 2019**
Grand Prize, thebell Risk Manager Awards (thebell)
- Nov. 25, 2019**
Comprehensive Excellence Award, 7th Best MTS Awards (Money Today)
- Nov. 26, 2019**
Grand Prize, Seoul Economic Daily Securities Awards (Seoul Economic Daily)
- Dec. 11, 2019**
Grand Prize, 2019 Asia Capital Investment Awards (Asia Economic Daily)
- Dec. 11, 2019**
Grand Prize, Market Leader of the Year Awards (EToday)
- Dec. 12, 2019**
Excellent Advertisement PR Category, 2019 Excellent Financial Investment Advertising (Korea Financial Investment Association)
- Dec. 18, 2019**
Best Prize in the Financial Investment Category, 8th Financial Consumer Protection Awards of the Korea Economic Daily (The Korea Economic Daily)

UN Global Compact



Since joining the UN Global Compact (UNGC) in September 2011, NH Investment & Securities has been abiding by the UNGC's ten principles in the four major areas. We have been incorporating the principles to uphold human and labor rights, address the global environmental challenge, and establish a culture of integrity to root out corruption. We share related activities and commitment to complying with the UNGC principles through our sustainability report.

UNGC Index

Area	Principle	Reporting boundary	Page
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Human rights management	35
	Principle 2: make sure that they are not complicit in human rights abuses.	Human rights management	35
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Human rights management	35
	Principle 4: the elimination of all forms of forced and compulsory labour;	Human rights management	35
	Principle 5: the effective abolition of child labour; and	Human rights management	35
Environment	Principle 6: the elimination of discrimination in respect of employment and occupation.	Human rights management & Human resources management	35
	Principle 7: Businesses should support a precautionary approach to environmental challenges;	Response strategy by risk type Minimizing environmental impact	25 36
Anti-Corruption	Principle 8: undertake initiatives to promote greater environmental responsibility; and	Minimizing environmental impact	36
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Response strategy by risk type Minimizing environmental impact	25 36
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Ethical management	24
		Social performance	39-40

Membership

Korea Chamber of Commerce and Industry	Seoul IB Forum	FOREX CLUB Member Firm	Korea Employers Federation	Baby Bond Members Council	Securities Friday Group	Korea Listed Companies Association
The Federation of Korean Industries	Listed Company Audit Association	Compliance Council	The Institute of Internal Auditors	UN Global Compact	Seoul FX Market Operation Council	PEF Council
Korea Exchange	Korea Venture Capital Association	Retirement Pension Development Council	Korean Pension Association	Korea Securities Law Association	Korea Developer Association	Global Finance Society

