

NH INVESTMENT & SECURITIES

2021 Integrated Report



INVESTMENT
CULTURE
CREATOR



ENVIRONMENT



SOCIAL



GOVERNANCE



About This Report

Overview

Since 2018, NHIS has published its sustainability report on a regular basis. From this year, the Annual Report and the Sustainability Report are combined and published as the Integrated Report. This report gives a detailed description of the major activities and progress we made including the process of creating economic, social, and environmental values.

Reporting Guidelines

This report has been prepared in accordance with the GRI (Global Reporting Initiative) Standards Core Option and the Ten Principles of the UNGC (UN Global Compact). To reflect key issues in line with the industry, we ensured full compliance with SASB (Sustainability Accounting Standards Board) Standards and TCFD (Task Force on Climate-related Financial Disclosures) Recommendations. It was also referenced to the IIRC (International Integrated Reporting Council) IR Guidelines according to the KIFRS (Korean International Financial Reporting Standards).

Reporting Period

This report includes activities and performance from January 1, 2020 to December 31, 2020. However, for major quantitative performances, data from 2018 to 2020 were included and analyzed in a time series, and key information that could affect stakeholders was also included as a reference before 2020 or in the first half of 2021.

Reporting Scope and Boundaries

This report covers the operation of domestic businesses including the NHIS head office and branches, but not its subsidiaries. The environmental performance is limited to the operation of the head office, and certain activities and performance of overseas sites are included if considered necessary.

Independent Assurance

This report has been assured by the Korea Management Certification (KMR), a third-party assurance agency. In the assurance process, we assess the objectivity and reliability of the report in accordance with the international standards including AA1000AS (v3 2020) and AA1000AP 2018. The results can be found in the Third-Party Assurance Statement section of this report.

Contact Information

To ensure access to information by stakeholders, this report is posted on the NHIS website and available to [downloaded in PDF format](#). We collect feedback and comments on this report through various channels including e-mail, regular mail, and phone.

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Reader’s Guide

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The World Around Us

Prioritizing Client Value

We put clients at the center of our business.

In the midst of the fast-changing market environment, we always put clients at the center of our business. Since our foundation, we have never stopped taking on new challenges and driving innovation to create values for our clients. The process of value creation with a focus on communication with our clients is what gives us our competitive edge. At this point of attracting millennials and generation Z as our new clients, we are living up to their expectations and paving the way towards a sustainable future.



The World Around Us

Financial Consumer Protection

We create a safe environment for all investors.

In response to a growing threat to our financial security including privacy violations and cyber-attacks, financial authorities are strengthening their regulatory legislation to protect consumers. At NHIS, we are creating a safe financial environment for clients as we innovate our system to better protect their privacy and assets. Moving forward, we will continue to promote safe investment and raise awareness while putting clients’ interests first.



The World Around Us

A World of ESG Innovation

We create a virtuous circle in investment practice with a focus on ESG.

The financial investment industry has faced and overcome numerous challenges and crises over the years. However, unlike the crises of the past, we have to take a long-term approach to climate changes and COVID-19, and ESG is emerging as a focal point in the investment sector. The key to ESG in financial investments to create and enhance social, economic, and corporate values through efficient investment. We joined NH Financial Group to support 'ESG Transformation 2025' and will complete the transition to ESG while enhancing our investment capability in line with ESG.



The World Around Us

Digitally Delivered Financial Life

Front-Runner of New Normal

In this non-contact era, the goal of digital transformation is not only to improve convenience for clients, but also to drive sustainable growth by combining digital technology and financial investment. In response to changing market conditions centered on digital technology, we are creating a client-oriented digital financial platform and promoting digital innovation across our work process.



CEO Message

NHIS strives for new business opportunities in the waves of transformative changes.

We will continue to focus on delivering responsible growth through operational excellence, cooperation of business, and sharing our success.

Dear clients, shareholders and all other stakeholders,
I would like to extend my utmost gratitude for your support, encouragement, and unwavering trust in NH Investment & Securities (NHIS).

In 2020, we underwent unprecedented changes due to COVID-19. However, recognizing them as opportunities, we have focused our company-wide resources on staying ahead of these changes. Throughout the last year, we made diverse efforts to predict the needs of clients to provide them with optimized solutions while building a differentiated investment bank platform and expanding the scope of digital innovation.

As a result of these efforts, NHIS recorded a cumulative net income of KRW 576.9 billion (ordinary income of KRW 789.1 billion) in 2020, a 21.1% increase from the previous year, bringing us one step closer to our goal of making KRW 1 trillion in ordinary income. In the face of the New Normal, we are presenting the following directions for the future.

First, we will create values for our clients.

As the market volatility persists along with fierce competitions in the financial industry, it became crucial for us to respond to the needs of clients promptly to develop competitive edges. Despite the rapid changes in the market, we always put client satisfaction as our top priority.

We will transform our products and services to reflect the needs of our clients and create client value. Furthermore, we will innovate our organizational culture to achieve this goal by providing specialized services and strengthening our risk management system to protect our clients.

Second, we will develop our digital business expertise.

The core competitiveness in the financial investment industry has been determined by the size of company's capital over the past ten years. In the future, however, the size and utilization of data assets will serve as new competitive edges. Going forward, we will incorporate digital technology into not only stock trading platforms but also WM, IB, trading, and supportive administrations to enhance our competitiveness.

In addition, we will commit ourselves to promote digitization of our products and services while solidifying our differentiated position in high-end service sectors where the significance of expertise in consultation is expected to grow.

Third, we will improve our ESG management.

As we are experiencing volatility due to uncertainties driven by the COVID-19, the importance and social interest in sustainable finance has intensified. Accordingly, NHIS is committed to creating a better and sustainable future by delivering responsible growth through disciplined adherence to our tenets by recognizing its social responsibility and missions as a financial company.

To this end, we have set long-term goals for ESG management in line with 'ESG Transformation 2025' of NH Financial Group. Going forward, we will continue to strengthen our ESG management practices throughout the organization and business operation while fulfilling our social responsibility as a corporate citizen.

Honored clients, shareholders and all other stakeholders,

The prolonged COVID-19 pandemic is affecting the global community and exposing us to new challenges. As a result, it has become increasingly difficult to forecast the financial market. Despite headwinds that may arise from time to time, we will commit our utmost efforts to work with our stakeholders and create a better environment for investors based on our strong commitment and meticulous preparation for future markets. I'd like to ask for your continued interest and support for NHIS.

Thank you.

**“ NH Investment & Securities,
your loyal and devoted investment partner. ”**

Jeong Young-Chae
CEO, NH Investment & Securities




Vice Presidents’ Interviews

Q. Today, we see diverse changes in the financial industry in a way that clients want more information and greater choice in how they receive financial advice. In this rapidly transforming business environment, what is NHIS’ strategy for exceeding expectations for clients by staying competitive and achieving sustainable growth?



A. As the market changes rapidly, we see landscape in wealth management changing, such as demographics and clients’ needs. In response to this changing trend, we are innovating our sales model by specializing the Digital Asset Management Center for mass clients and Premier Blue Center for high net-worth clients. We also established Digital Innovation Division with a robust coordination system to promote digital transformation as non-contact practice to accelerate the digitization process. Based on our strong belief that employees are the driving force behind our growth, we are committed to developing their expertise and helping them reach their full potential in a healthy working environment.

Jung Yong-Seok
Vice President/Head of Management Administration Division



A. As more investment is made through a non-contact transaction and liquidity increases, securing global competitiveness in the financial market has become an essential strength to drive corporate sustainability. Thanks to our industry-leading global network, we are expanding our presence in overseas sourcing and new markets. We are targeting capital markets in Southeast Asia through our subsidiaries based in Hong Kong and Indonesia while planning to broaden our overseas network to secure competitive advantages in the global market. We are also expanding overseas/alternative investment coverage in response to the growing needs of institutional clients while focusing on the competitiveness in the OCIO (Outsourced Chief Investment Officer) market. Thus, we are on our way to becoming a trustworthy partner for our clients as we are developing our abilities to offer financial solutions and upgrading our business infrastructure.

Kim Tae-Won
Vice President/Head of Wholesale Division

A. Despite the impact of COVID-19 pandemic at the beginning of 2020, we saw an unprecedented level of volatility as liquidity surged in the second half of the year, allowing gains in the stock market. In this constantly changing environment of the financial industry, it is becoming increasingly difficult to predict the market. Nevertheless, NHIS maintained its highest profitability throughout the year thanks to efficient asset allocation and flexible response to volatility as it overcame numerous challenging market turmoil. Going forward, we will continue to enhance investment stability and profitability through diverse strategies, advanced risk management techniques, and the differentiation of structured products.

Cho Kyu-Sang
Vice President/Head of Investment Division



Company Profile

Company Overview

NH Investment & Securities (NHIS) is committed to creating values for its clients, based on its philosophy of putting their interests first. As a result, we managed to evolve into a leading Korean investment company with unmatched competitive advantages. Based on our comprehensive portfolio along with the outstanding quality of service, we will continue to drive sustainable growth in this rapidly changing financial environment.

January 1969
Date of Establishment

3,053
No. of Employees

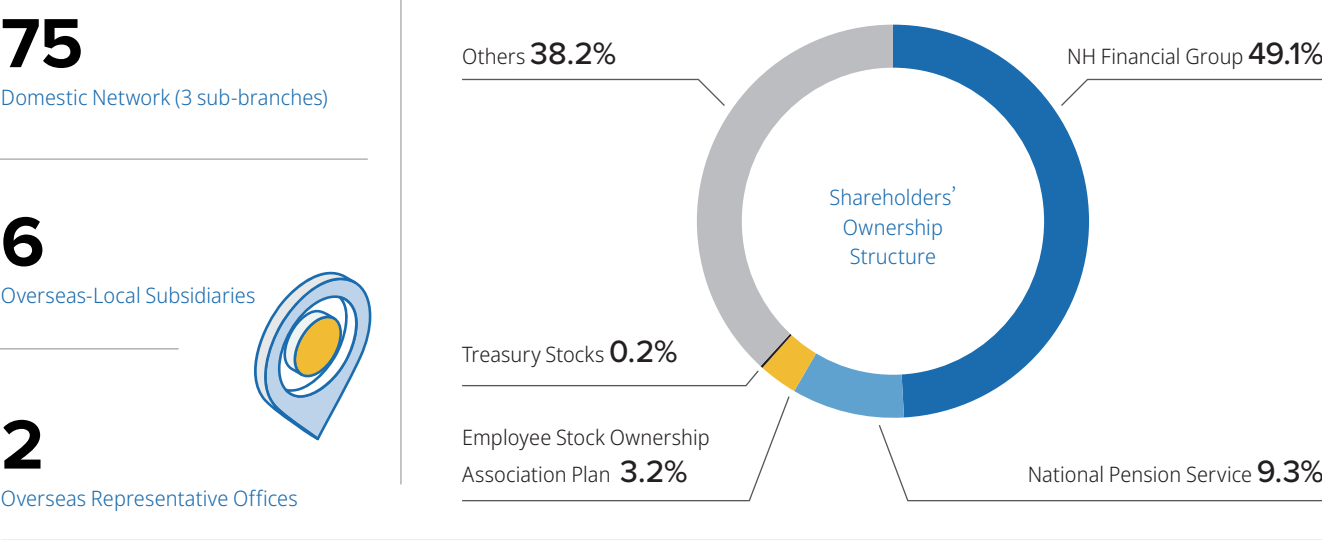
KRW 5,802.9 billion
Shareholders' Equity
(Controlling Shareholders' Equity KRW 5,797.7 billion)

10.3%
ROE*

KRW 576.9 billion
Net Income
(Controlling Shareholders' Net Income KRW 577.0 billion)

* ROE: Controlling Shareholders' Equity Net Income / Controlling Shareholders' Equity in Average

(As of the end of December 2020)



Overseas Credit Ratings (Long-term)

S&P **A-**

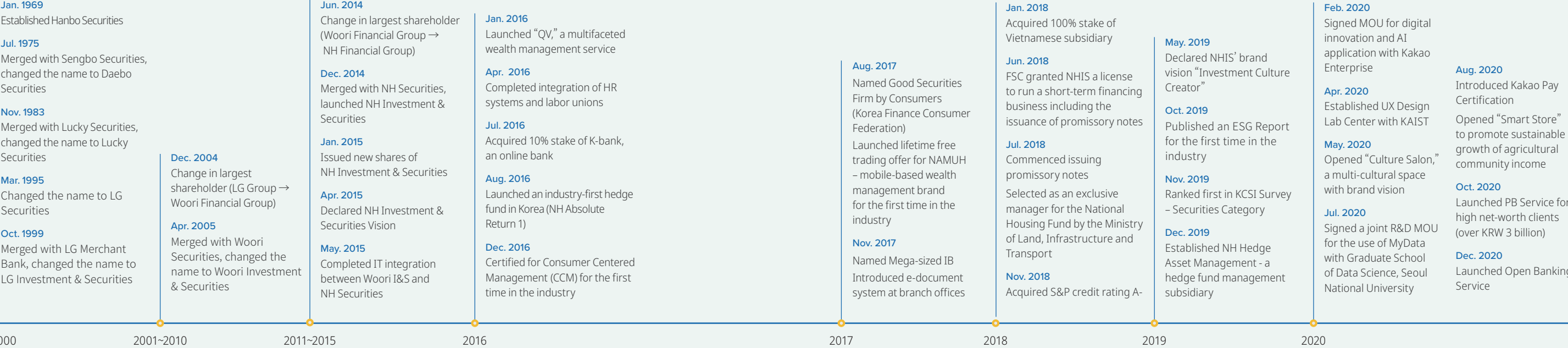
Moody's **A3**
(As of the end of June 2021)

Domestic Credit Ratings

Korea Investors Service, Korea Ratings, NICE Credit Information Service

AA+

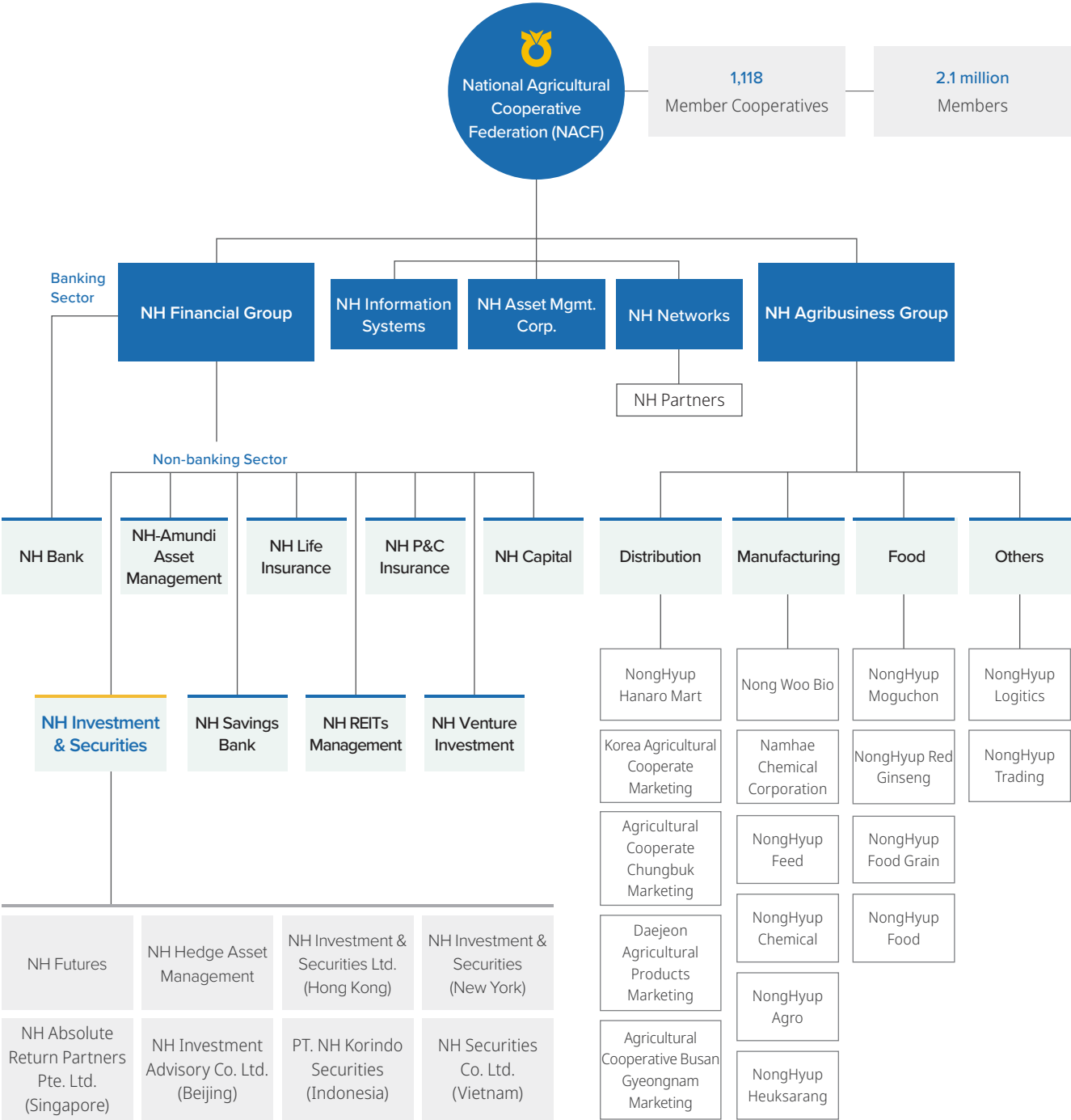
History



About NH Financial Group and NH Agribusiness Group

(As of the end of December 2020)

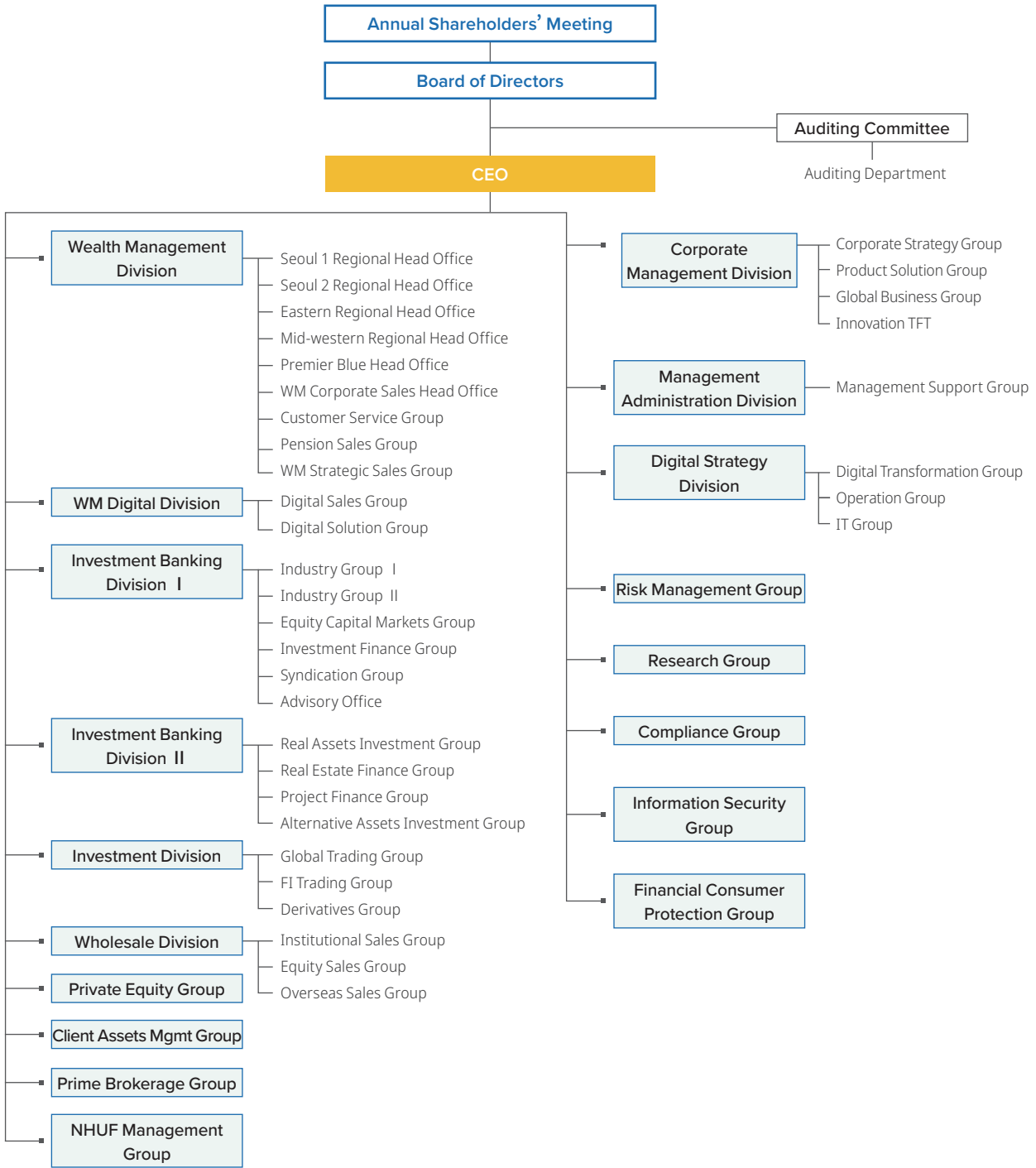
In March 2012, National Agricultural Cooperative Federation (NACF) reorganized its business structure into NH Financial Group and NH Agribusiness Group. With NH Financial Group at the center of the expansion into a leading global cooperative financial group in Asia, we are dedicated to creating production-distribution-sales environments that benefit farmers and stockbreeders as well as the public and promote new values based on extensive network and unmatched expertise.



NHIS Organization

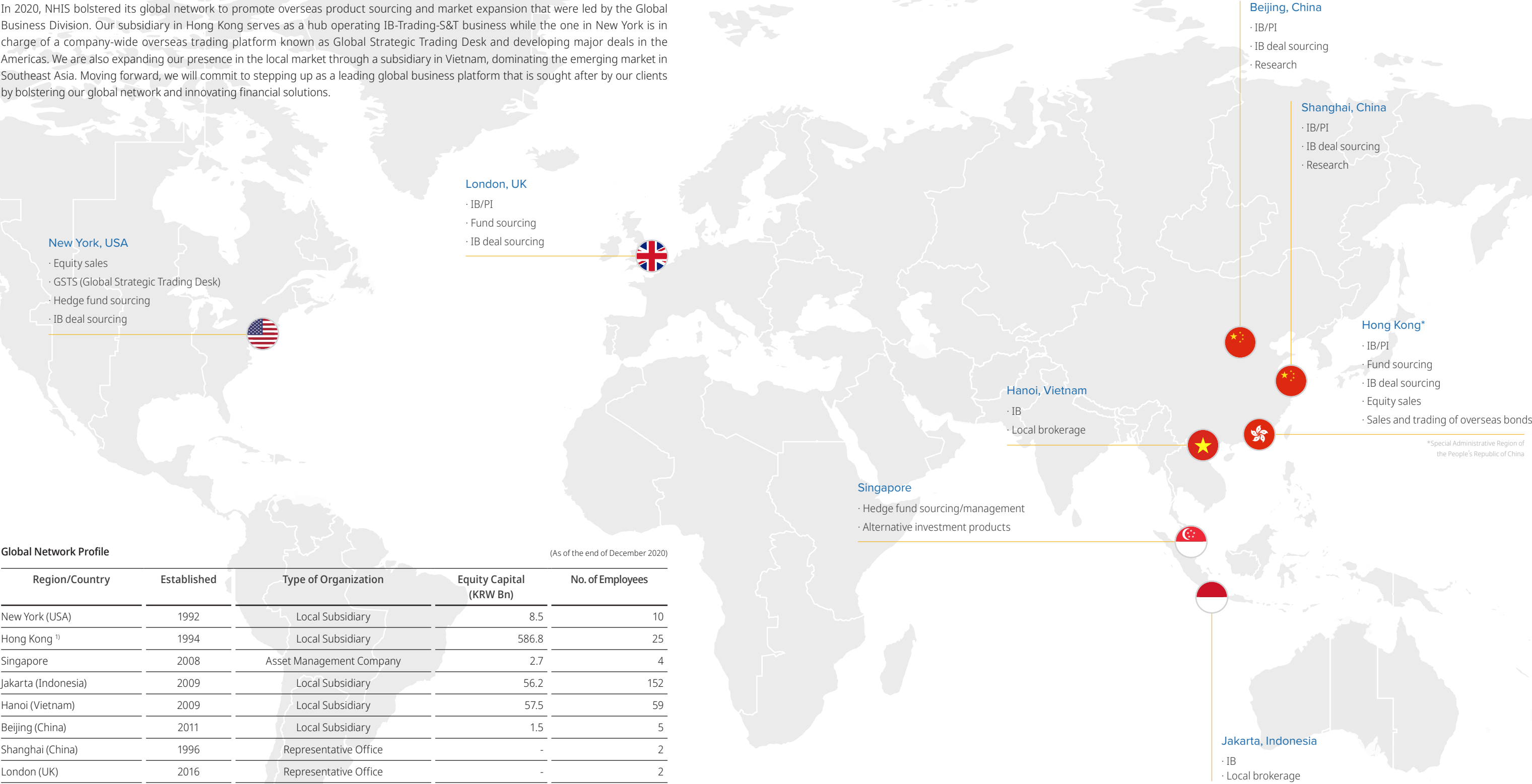
(As of the end of February 2021)

NHIS has streamlined its organization in response to transformational business environment. As a result, we managed to strengthen our position as a leading financial market player by enhancing our business platform and competitive advantages while promoting efficient distribution of resources.



Global Network

In 2020, NHIS bolstered its global network to promote overseas product sourcing and market expansion that were led by the Global Business Division. Our subsidiary in Hong Kong serves as a hub operating IB-Trading-S&T business while the one in New York is in charge of a company-wide overseas trading platform known as Global Strategic Trading Desk and developing major deals in the Americas. We are also expanding our presence in the local market through a subsidiary in Vietnam, dominating the emerging market in Southeast Asia. Moving forward, we will commit to stepping up as a leading global business platform that is sought after by our clients by bolstering our global network and innovating financial solutions.



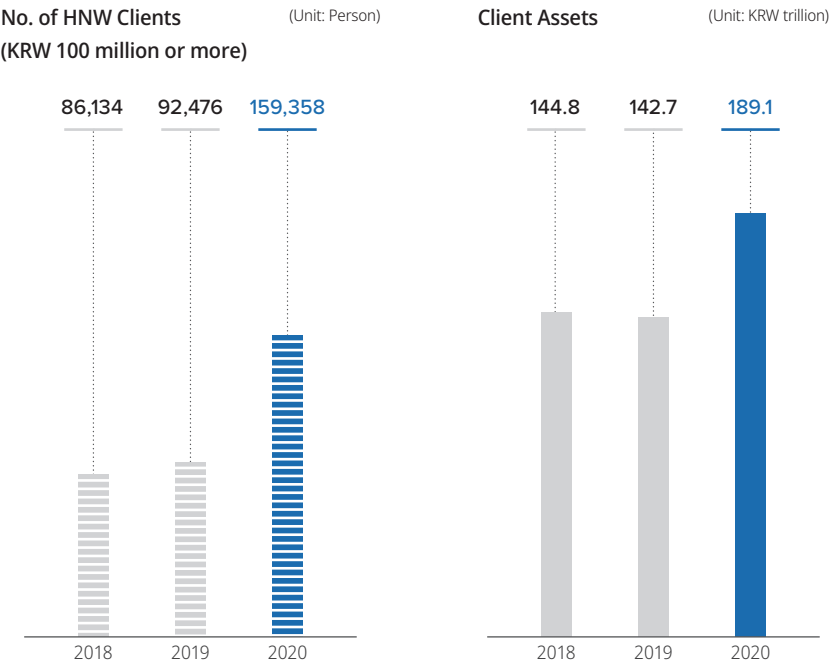
Global Network Profile

(As of the end of December 2020)

Region/Country	Established	Type of Organization	Equity Capital (KRW Bn)	No. of Employees
New York (USA)	1992	Local Subsidiary	8.5	10
Hong Kong ¹⁾	1994	Local Subsidiary	586.8	25
Singapore	2008	Asset Management Company	2.7	4
Jakarta (Indonesia)	2009	Local Subsidiary	56.2	152
Hanoi (Vietnam)	2009	Local Subsidiary	57.5	59
Beijing (China)	2011	Local Subsidiary	1.5	5
Shanghai (China)	1996	Representative Office	-	2
London (UK)	2016	Representative Office	-	2

1) Special Administrative Region of the People's Republic of China

Wealth Management Division



NHIS Wealth Management Division offers a wide range of investment products and asset management services including stocks, funds, and ELS/DLS, our goal is to enable individuals, families and business owners to preserve their wealth and plan for growth and success. The division has transformed its role from a broker to an advisor, shifting its focus from offering just financial products to holistically address both financial solutions and personal needs.

It is leading the fundamental change in every aspect of its operation, from building a system that can reflect clients' financial needs to an employee evaluation system and sales process as part of our efforts to strengthen long-term client relationships. In terms of organization,

we have established various types of branch offices such as PB, large financial centers, and wealth management centers in response to the increasingly diversified needs of our clients. PB Service Planning Division was also organized to focus our resources on family offices and enable the division to continuously drive for strong performance.

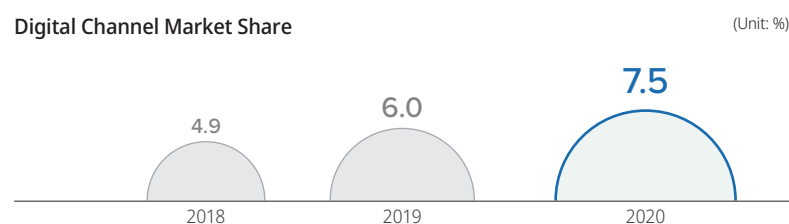
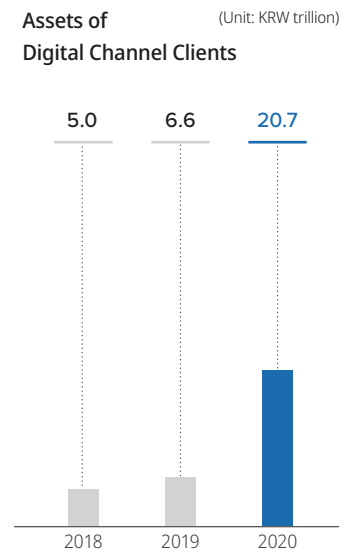
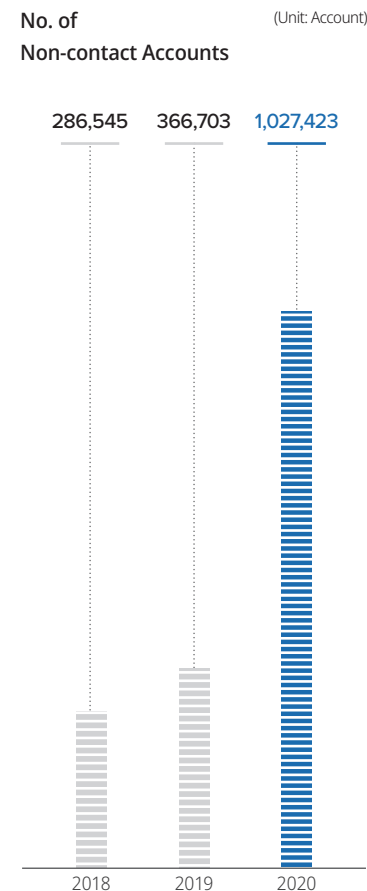
To attract clients in their 20s to 40s with growing interests in investment, we are innovating our digital capabilities. In collaboration with external channels, we are focusing on gaining competitive advantages as a digital platform and expanding our pipelines. As a result, we managed to secure 1.77 million new accounts through diverse communication channels. In addition to new client

acquisition and restructuring of clients, we keep track of our client profiles and needs based on which we develop sales strategies and apply them in practice to provide personalized service and ensure the client satisfaction while building a foundation for long-term growth.

We expect to see the Wealth Management Division grow into a leading platform for all clients including PB clients who need highest level of expertise and bespoke services, digital clients managing their own assets with the convenience that technology offers, and hybrid clients with the need for both digital platform and consultation from experts.

Business Insights

WM Digital Division



Taking a proactive approach in its response to digitally transforming industry, NHIS has recognized and established WM Digital Division reflecting its focus to digital clients. The division consists of two parts: Digital Sales that takes charge of marketing and client management, and Digital Solution that assumes the roles of providing bespoke solutions on the digital platform.

In response to both growing numbers of MZ generation clients who are familiar with mobile devices and non-contact financial transactions amid to COVID-19, we are focusing on attracting non-contact accounts.

To this end, WM Digital Division increased its affiliation with external channels such as Kakao Bank and managed to acquire 1.53 million new non-contact

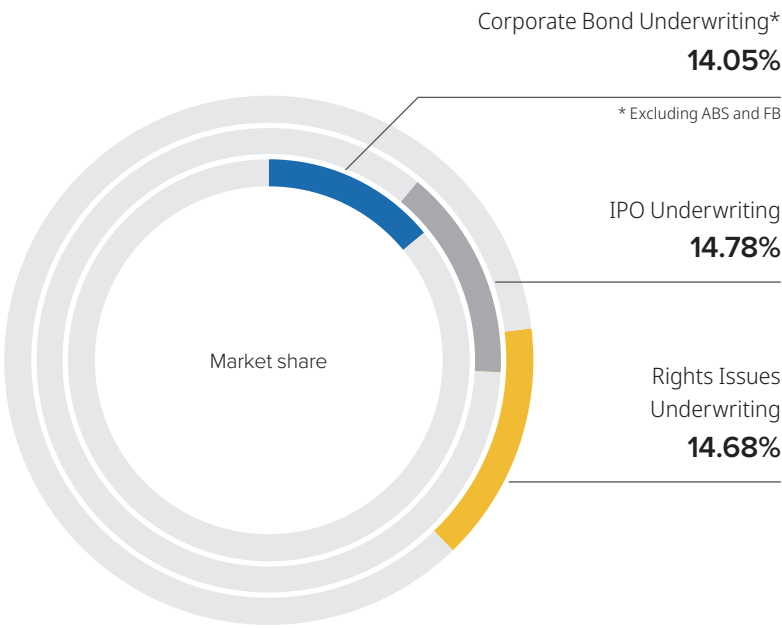
accounts. We also launched the mobile app, contents, and UI/UX to improve convenience and were ranked first in-app competitiveness assessment in both the first and second half of 2020. As a result, we were recognized for our strong digital capabilities with the MTS (Mobile Trading System) winning the 10th Asia Today Financial Awards in the Securities, Best MTS Category, and 2020 Asia Smart Financial Awards in Client-Friendly Category. In addition, as part of improving the overseas stock trading platform we recognized clients' growing needs for overseas stock trading and launched the "Night Home" trading service, a dedicated overseas MTS. As a result, the number of traders increased by 233% in the second half of 2020 compared to the first half.

We are also maintaining close cooperation with other organizations to further improve our digital capabilities. For example, we signed an MOU with the Graduate School of Data Science, Seoul National University to develop a bespoke wealth management solution based on MyData and establish a system for data analysis. Furthermore, MyData task force was organized to facilitate the acquisition of MyData licenses and develop new growth engines. In the case of the robo-advisors development project, joint research on AI (Artificial Intelligence) and financial engineering were conducted with Korea University. As a result, we managed to improve the competitiveness of our products and the total AUM (Asset Under Management) of algorithm-based products increased by 430% from the previous year.

Investment Banking Division I

IB League Table

(As of the end of December 2020)



Market Share (Rank)

Category	2018	2019	2020
ECM	25.6%(1 st)	24.4%(1 st)	19.2%(2 nd)
Domestic bonds	15.6%(2 nd)	16.4%(2 nd)	17.7%(2 nd)

Investment Banking Division I focuses on traditional investment banking business and deliver the full benefits of our company to corporate finance clients in relation to DCM (Debt Capital Market), ECM (Equity Capital Market), and M&A (Merger and Acquisition). The division unparalleled position in the domestic capital market thanks to its extensive know-how and client network and is top-ranked in market share in corporate bond underwriting. In 2020, we demonstrated strong competitiveness and successfully underwrote IPOs of SK Biopharmaceuticals and Big Hit Entertainment.

Policy responses to Coronavirus implemented by countries of governments across the world guided liquidity injection to the market so that the IPO (Initial Public Offering) market to boom with a growing interest from individual investors. The IPO market is expected to spur more inflows into stock markets in a lack of alternative investments in the ultra-low interest era, and help the listed companies' finance their business growth, and thus, the rise in the IPO market is expected to continue. Each team of ECM Division has four to five experts with more than ten years of experience in the field as well as senior managers who have lead-managed numerous IPO deals. Thanks to many of our talented personnel with diverse experiences, we take effective approaches and use analytical expertise that allowed us to successfully lead manage IPO deals and anticipate continuous performance in the future.

At the same time, the division encourages IB professionals to work collaboratively with other divisions to generate synergy through expanding the alliance and enhancing cross sales opportunities.

By participating in the NHIS-exclusive information sharing system that allows professionals to share and build business skills, gain exposures, and broaden their network, they can ensure business continuity and provide clients with optimal solutions through coordination. Meanwhile, the collaborative sales with Advisory offices allows IB professionals to secure expertise in M&A consultation to provide one-stop services to clients.

We also focus on developing expertise in new technology finance and overseas acquisition finance in order to diversify our revenue streams and enhance our competitiveness. At the end of 2020, New Technology Finance Investment Division was established as a foundation for the expansion of corporate finance services along with the supply of venture capital from a perspective of corporate finance. The cooperation with overseas offices in Hong Kong and New York allowed us to lead-manage four deals worth KRW 843.3 billion, which indicates new momentum for growth in the overseas corporate finance market.

In 2021, we will focus on providing comprehensive financial solutions that encompass corporate financing and improving governance as a financial partner of our corporate clients, while maintaining our leading position in traditional IB. We will continually discover new businesses to meet our sales goals, innovate our sales process, and expand our footprint in the global IB market in order to step up to become as a leading IB in Asia.

Landmark Deals

(As of the end of December 2020)

Corporate Bond Underwriting	Lead Underwriter	Rights Issues Underwriting	Acquisition Financing
No. 1 in M/S among major companies	Big Hit Entertainment	Doosan Heavy Industries & Construction	In-flight Catering Division, Korean Air
	SK Biopharmaceuticals	Soulbrain Holdings	Refinancing H-line Shipping
	WiPAM	HDC Hyundai Development Company	Bioenergy, SK Chemicals
	KORAMCO REITs Management and Trust	Korean Air	DIG Airgas
		CJ CGV	Refinancing AirFirst



Investment Banking Division II

The Investment Banking Division II has achieved reputable performance at home and abroad by successfully carrying out landmark deals in alternative investments such as real estate PF, income-producing real estate, and infrastructure SOC, to further reinforce our reputation as a leading player of alternative investments.

In 2020, the alternative investment sector was divided into real estate development, income-producing real estate, and infrastructure for specialization in developing client network for each sector and its expertise in execution. We have also established a credit review department within the division to select quality assets through a risk identification process and to actively engage in selling down acquired assets in order to continue with sustainable growth in revenues. Our ultimate goal is to provide institutional investors with competitive financial solutions encompassing every aspect of the division.

In 2020, the Division succeeded the deal of NHIS to invest nearly KRW 1.6 trillion in Abu Dhabi National Oil Company's (ADNOC) gas pipeline business as a member of a six group that has agreed to buy a stake in the Middle Eastern



asset for a combined USD 10.1 billion. The transaction became one of the biggest infrastructure investments by a south Korean brokerage company, thereby laying a foundation for growing into the global infrastructure investments market. The transaction has not only become a stepping stone to expand our presence globally but also demonstrated to overcome the limited role of a domestic brokerage firm in infrastructure investment market while providing investment opportunities for ultra-high quality assets to our affiliates and building the reputation of our own and NH Financial Group.

In addition, we have successfully acquired Parc1 TowerII worth KRW 1.08 trillion based on our ample experiences in income-producing landmark real estate deals. This is the advantageous result of the synergy we created through deal sourcing and group-wide projects, and we were recognized for our strong execution capability in the prime real estate market.

The investment size of alternative investments in domestic ground and abroad are on the rise amid persistent

low interest rate, slow-down of COVID-19 pandemic, and continuous development of financial industry. Under this circumstance, we plan to enhance on our expertise and risk management of alternative assets.

KRW 1.08 trillion

Acquisition of Parc1 Tower II

Nonghyup affiliates
Nonghyup Cooperative Banking,
NongHyup Life Insurance

KRW 2.28 trillion

SIFC Refinancing

Nonghyup affiliates
NH Nonghyup Bank, NongHyup Life Insurance,
NH P&C Insurance, NH Capital, NH Savings Bank

KRW 1.07 trillion

Acquisition of Seoul Square

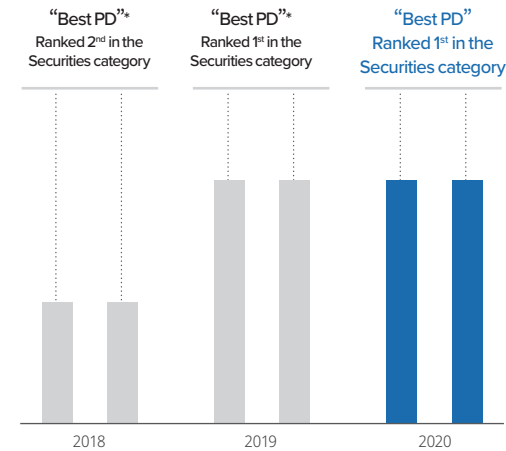
Nonghyup affiliates
Nonghyup Cooperative Banking

Major Landmark Deals executed in the Domestic Real Estate Market

Business Insights

Investment Division

Performance of Primary Dealers



* PD (Primary Dealer)

** Source: Ministry of Economy and Finance's website

Named the Best Company in the Operation of Monetary Stabilization Fund

12 times in 2018

12 times in 2019

12 times in 2020

* Source: Bank of Korea's website

Investment Division strives to increase profitability by sales, investing, and trading of equity, bonds, FICC derivative products. It is paramount for the Division to promptly response to market volatility and increase profitability in a stable and consistent manner through risk management. In 2020, we were committed to dealing with market volatility caused by the COVID-19 pandemic and associated risks. By preemptively reducing the volume of ELS, we were able to minimize the negative impact affecting the financial market stemming from COVID-19 pandemic, and we ensured stability and consistency in trading by reducing RWA (Risk-Weighted-Assets). With all these



efforts, we were ranked first in the KRW receivable management category despite the reduction in resources.

The division overlooks the long-term impact of COVID-19 on domestic and overseas financial markets. Recognizing the need for a trading strategy that prioritizes stability, we focus our resources on laying a foundation for stable revenue generation. We also implemented investment strategies to

realign our asset allocation and valuation modelling to maximize the trading capability, and this effort has eventually led us to the improvement of the profit and ROA.

We are exploring new business opportunities and expanding our market presence as we assume increase in volatility. The Global Trading Center (GTC) promotes investment in emerging market bonds through asset allocation

by hedging strategies for each country. To facilitate this process, we expanded geographical coverage of overseas investments and product groups while securing experts that are specialized in those fields. The Division will focus on risk management as it adapts promptly to vastly changing market conditions and maintaining strong performance.

Business Insights

Wholesale Division



The Wholesale Division leverages its domestic and overseas networks of long-term and trustworthy relationships with institutional clients. In response to facilitate changed landscape of clients’ financial appetite, we are committed to streamlining our sales strategy in the traditional financial products and proactively investing in growing businesses to boost competitiveness in the industry.

Upgrading and improving the trading system and reinforcing human resources have become the driving force behind the 50% earnings growth year-on-year in 2020 despite increased volatility in the stock market. We managed to generate strong income in the ETF, Passive, and DMA sectors, and we were ranked first in terms of the market share of domestic institutional investors when it comes to traditional business. We were also top-ranked in overseas stock trading volume, and we earned a dominant position as a liquidity provider in the ETF market as the “first-class securities firm in general trading” from the National Pension Service, which is widely recognized for our strong competitive edges.

The Equity Sales department handles domestic and overseas stock brokerage and the sales of derivatives including ETF for domestic institutional investors. The Department has established unparalleled relationships with clients over the years and has established itself as a leading brokerage platform. In 2021, it expanded its areas of business by adding exchange market maker and overseas derivatives sales to its roles.

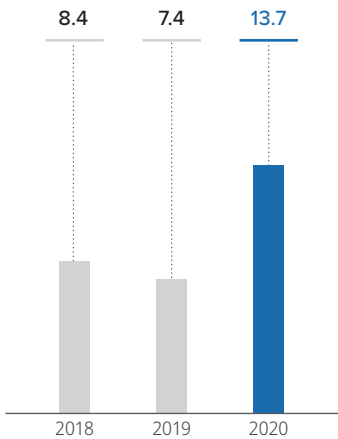
In the rapidly growing OCIO (Outsourced Chief Investment Officer) market, we managed single-handedly to attract KRW 1.3 trillion for the performance compensation fund of the Korea SMEs and Startups Agency in 2020, and also secured Kangwon Land OCIO, thereby building the best OCIO platform. To further enhance and to strengthen our capabilities in the future, we are committed to training institutional client-based experts and benchmarking overseas leading OCIO firms.

As a result of a growing demand for Direct Market Access (DMA) transactions, a strong performance is seen in the overseas sales sector with strengthened DMA infrastructure. In 2021, we plan

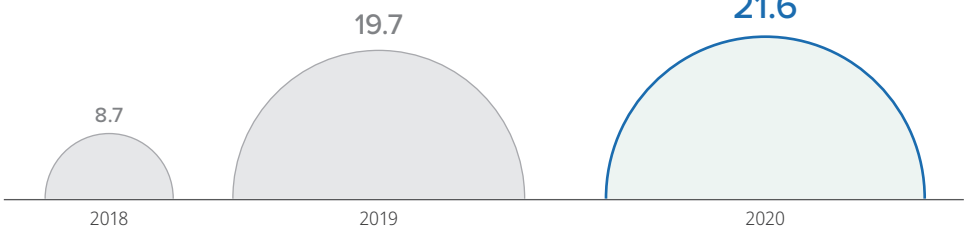
on building a strong DMA transaction platform through infrastructure improvement.

As high volatility in the financial market continues in 2021, there will be both risks and opportunities of business. The Wholesale Division is committed to pursue on its efficiency in the traditional revenue drivers while increasing resources in the newly growing markets to drive sustainable growth.

Overseas Stock Brokerage Consideration of Institutional Investors (Unit: KRW trillion)



ETF LP M/S



Corporate Governance

BOD Operation

Composition and Independence

NHIS has an independent governance structure in place to ensure sustainable growth of the company and to protect the rights and interests of its stakeholders. Composed of nine members – two internal, five outside, and two non-executive directors – a majority of the directors including the chair are outside directors so that the board can maintain independence and balance serving as a top decision-making body. Under the NHIS’ Articles of Incorporation, a director serves a two-year term and may be reappointed.

The maximum term of outside directors is limited to 6 years in the company and 9 years including the term served in affiliates under the law.

Expertise and Diversity

The Board of Directors of NHIS consists of members that have appropriate experience and expertise to perform their duties. Specifically, as of April 2021, the board consists of two financial regulation and system experts, five financial experts, one economics expert and one legal expert.

We provide training and work programs through a dedicated organization for outside directors to help them gain insights into our business operation and financial industry. Recognizing the importance of diversity in the BOD, we appointed a female director in December, 2020.

BOD Activities

In 2020, eighteen BOD meetings were convened where they deliberated and voted on eighty three agendas. The average attendance rate of the meetings

was 91%, and Board agendas are shared before the Board meeting is held so that directors have sufficient time to review the items in detail. At quarterly BOD meetings, the execution of approved agendas and their performance were reported and management issues were discussed. The progress we made in sustainable management and plans was also reviewed by the board. In 2020, recognizing the growing importance of ESG in the industry, the board made decisions on ESG management such as issuing ESG bonds. As a result, in February 2021, ESG bonds worth KRW 110 billion were issued for the first time in the financial investment industry.

Procedure for Appointment

Committee for Recommendation of Candidates for the Directors is organized to appoint directors through a fair and transparent process. The committee reviews expertise, fair conduct in job performance, and ethics as active

qualifications criteria, and legal requirements as passive criteria. Based on them, candidates are nominated and approved by the BOD and then, appointed by the general meeting of shareholders. Currently, NHIS nominates 35 candidates for CEO according to the succession plan to support its corporate governance and manages 201 candidates for outside directors to ensure their expertise and independence.

BOD Evaluation

NHIS assesses whether the BOD is properly fulfilling its roles and responsibilities as outlined in related laws and internal regulations at least once a year. Evaluation criteria consist of roles and composition of the Board as well as independence and appropriateness of BOD operations. It is conducted in the form of a written survey on the minutes of the BOD meetings and a survey of all directors, and the results are reported to the BOD and then disclosed in the Annual Report on Corporate Governance.

Performance Evaluation of Directors

Evaluation of directors is conducted at least once a year, and they are compensated based on the remuneration system approved by the BOD and the Compensation Committee. 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. We are also reviewing the possibility of introducing the ESG criteria to the evaluation process from 2021.

Shareholder-Friendly Management

Transparent Disclosure

NHIS notifies its shareholders of the place and agenda of its general meeting of shareholders at least two weeks in advance under Article 542-4 of the Commercial Act. The resolutions of the meeting are disclosed to its stakeholders immediately. Any relevant business information is posted on DART and the Korea Exchange to help investors make informed decisions.

Electronic Voting System

In June 2015, we introduced electronic voting system to allow investors to exercise their voting rights online by posting the list of shareholders and the agenda on the system. By doing so, we encourage our shareholders to exercise their rights and help them protect their interests.

BOD Composition

(As of the end of April 2021)

Directors	Name	Gender	Tenure	Key Profile		Expertise
Outside Directors	Jeon Hong-Yul (Chair of the BOD)	Male	26 months	Senior Deputy Governor of Financial Supervisory Service	Member of Corporate Governance Committee	Financial System
	Hong Seuk-Dong (Chair of Director Nomination Committee)	Male	14 months	Vice President of NongHyup Securities	Head of Fund Management Dept., National Agricultural Cooperative Federation	Finance
	Jeong Tae-Seok (Chair of Compensation Committee and Risk Management Committee)	Male	14 months	CEO of Kwangju Bank	CEO of Kyobo Securities	Finance
	Hong Eun-Joo (Chair of Auditing Committee)	Female	5 months	Professor of Hanyang Cyber University	CEO of iMBC	Economics
	Park Min-Pyo	Male	5 months	Department Head of Supreme Prosecutors’ Office	Head of Seoul Eastern District Prosecutors’ Office	Law
Internal Directors	Jeong Young-Chae (CEO)	Male	38 months	President & CEO of NH Investment & Securities	Head of IB Division of NHIS	Finance
	Im Byeong-Soon (Standing Auditor)	Male	14 months	Financial Hub Korea Center Head of Financial Supervisory Service	Standing auditor of Lotte Card	Financial System
Non-Executive Directors	Seo Dae-Seok	Male	5 months	Vice President of NH Nonghyup Bank	Executive Director of NH Networks	Finance
	Kim Hyung-Shin	Male	14 months	Vice President of NongHyup Financial Group Inc.	Head of Seoul Branch, National Agricultural Cooperative Federation	Finance

Evaluation Criteria and Process

Directors	Criteria & Process of Evaluation
Internal Directors	Evaluate based on the annual management goal, KPI achievement, and other factors
Outside Director & Non-executive Director	Multifaceted evaluation that employs a self-evaluation, mutual evaluation, and employee evaluation method through surveys, as well as their participation in board meetings and committee meetings

Remuneration

(As of the end of December 2020)

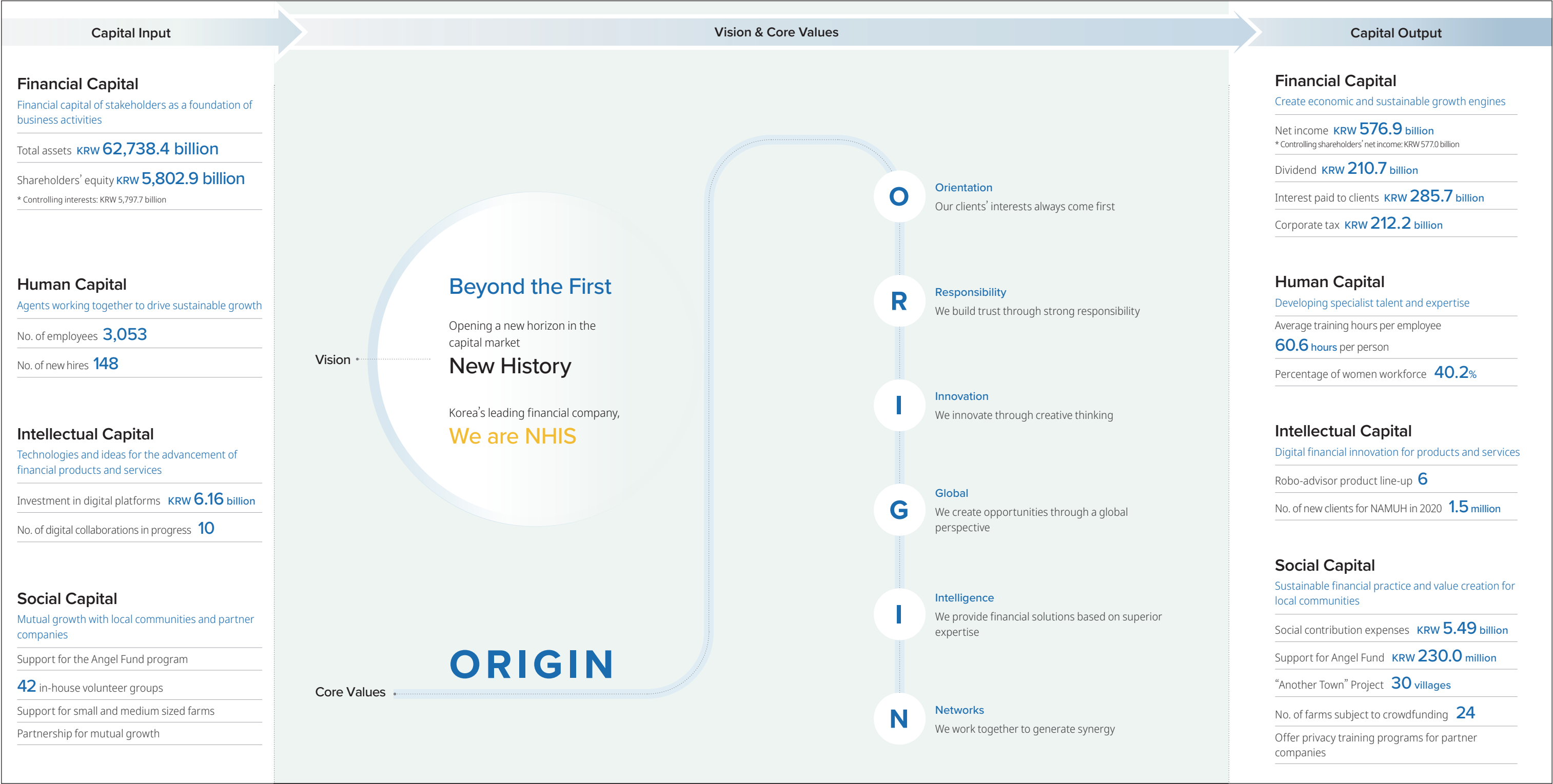
Types of Directors	Registered Directors*	Outside Directors**	Auditing Committee
No. of Directors	5	5	6
Total Remuneration (KRW million)	1,326	195	557
Remuneration per Person (KRW million)	442	39	92
Remarks	Average remuneration of three directors	Average remuneration of five directors	Average remuneration of six directors

* Excluding outside directors and Auditing Committee members

** Excluding Auditing Committee members

Value Chain

(As of the end of December 2020)



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What Makes Change Happen?

Prioritizing Client Value

Making Financial Life Better

Due to a growing number of IT companies expanding their business into financial sectors, the competition in the industry is intensifying and changing. As the barriers to access to information are lowered and interest in alternative assets increases due to the economic recession, clients’ needs are constantly changing. Therefore, prompt response to their needs has become integral to competitiveness in the financial industry. Under these circumstances, NHIS focuses on clients and their needs throughout its value chain. Since obtaining CCM (Consumer-Centered Management) certification for the first time in the industry in 2016, we have been committed to client-first practice. With diverse communication channels, we developed business models maintaining close communication with consumers and built a database of their input so we can reflect them in our products and services. We are also applying new criteria with focus on assessing the quality of service at the client contact points and promoting a mindset that can innovate values for clients.

Financial Consumer Protection

Building Reliable Investment Culture

Due to low interest rates combined with economic downturn, a growing number of consumers are interested in investment. However, high-risk products with a complex profit structure are also on the rise to meet the demand for high return, but this only causes significant losses to the consumers. More than 50% of the consumers who suffered from major financial incidents turned out to be over 60 years of age. Eventually, a lack of knowledge and loss of trust in the financial industry have emerged as social issues, leading the government to create stricter regulatory requirements. At NHIS, we are implementing safety measures to protect financial consumers throughout the value chain from product release, sale and after-sale service, and make sure all financial products are subject to an extensive review process. We also have a dedicated service organization for consumer protection and education on investment for clients who are vulnerable to financial incidents. In 2020, we introduced the industry’s first intelligent CCTV control system to collect, integrate and manage video information at our branch as part of our efforts to create a safe environment for investors.

A World of ESG Innovation

Focusing on ESG Leadership

The economic crisis caused by COVID-19 made businesses and investors aware of the importance of risk management, leading to efforts of taking a more proactive approach. In fact, the investment criteria that focused on financial performance in the past is now shifting to non-financial aspects such as environmental and social impacts. Globally, USD 30 trillion has been invested in ESG-friendly corporations, and in some countries, legislations to support this cause have been enacted. Domestically, the National Pension Service announced its plans to expand the ESG-based assets to 50% by 2022, amounting to KRW 400 trillion. As the future of the global economy and industry depends on investment decisions, the responsibilities of the financial industry are becoming increasingly prominent. Predicting these changes, NHIS has published ESG Reports and organized ESG forums since 2019. In 2020, we pioneered ESG research projects for the first time in the industry, raising awareness of investment and encouraging participation in the capital market. In response to NH Financial Group’s ‘ESG Transformation 2025,’ we organized an ESG task force team in early 2021 and set up mid-to-long-term goals for the establishment and implementation of the ESG management system.

Digitally Delivered Financial Life

Optimizing Digital Experience

The COVID-19 pandemic along with a growing demand for non-contact products and services has changed our business models in the financial industry. Meanwhile, the IT companies are also entering into the financial business, creating tension across the financial investment industry. As a result, we expect to see transition to digital finance bringing challenges and opportunities for financial companies. At NHIS, we are making substantial investment in digital innovation to turn this crisis into an opportunity. We are fully prepared to do so as we have established new organizations and restructured the existing ones while recruiting talent for IT digital positions. We have also formed partnerships with universities and leading fintech companies to develop a user-friendly digital financial platform and improve our work efficiency.



Issue #01

Prioritizing Client Value



1-1 Internalizing Consumer-Centered Management

Consumer-Centered Management
Innovation System
Consumer-Centered Capabilities

1-2 Communication focused Consumer-Centered Management

Identifying Clients' Needs
Diversifying Client Communication Channels
Reflecting Clients' Needs

Sustainable Issue-driven Action

Client Satisfaction through
Process-Centric Values

1-1 Internalizing Consumer-Centered Management

Consumer-Centered Management Innovation System

NHIS organized a TF to promote innovation in its business practice and put client value as a top priority. The TF is led by the head of the Planning and Coordination Division of NH Financial Group under the direct control of the CEO and in charge of strengthening the group-level management and support system from an objective perspective. It will also establish a system to take a proactive approach to meet the expectations of stakeholders and oversee the entire business operation with focus on risk factors in each sector. In addition, we will further enhance our value creation process for clients along with the client-centric sales process and business management system while identifying risks associated with each area of business. In the future, the TF which is currently operating under a concurrent system, will be reorganized to be a part of our organization after going through the relevant procedures.

Consumer-centered Management Organization

To oversee the Consumer-Centered Management, we organized the Financial Consumer Protection Group under the direct control of the CEO and appointed CCO (Chief Consumer Officer) to be in charge of the operation as part of our efforts to build a

foundation for developing Consumer-Centered Management. The Financial Consumer Protection Group is responsible for VOC (Voice of Customer) system operation and management, CS training, and dealing with complaints. We have also declared the Financial Consumer Protection Code and engage in various activities including “Consumer Protection Day” to raise awareness of consumers. Going forwards, we will continue to support these activities and create a culture of putting consumers first in our business practice.

CCM (Consumer Centered Management) Certification

In 2016, NHIS acquired the CCM (Consumer-Centered Management) certification for the first time in the financial investment industry. CCM was introduced to protect consumers from any types of financial incidents and to maintain a relationship based on trust. We have maintained this certification until 2020 and plan to renew it in the future.

Consumer-Centered Capabilities

Client Service System

NHIS collect feedback from clients through online and offline channels. The feedback collected through each channel are classified and used to analyze VOC statistics and issues. Then, they are reflected to improve online media, work process and system, products, and services. In 2020, new services including mobile overseas stock tax reporting and more U.S. stock order types were added and improved based on 23,789 reports of feedback. Moving forward, we will spare no efforts to create values for clients by collecting and managing VOC data in a more systematic manner.

CS Training Programs for Employees

NHIS organizes a wide range of CS training programs for employees to raise awareness and ensure the satisfaction of clients. The CS training programs are divided into three categories and consist of client-oriented mind setting, standardization, and improvement of client handling skills. The training allows employees to improve their service skills so that they can identify their needs and see their point of view, and eventually, increase their satisfaction. We will continue to improve our training system and introduce personalized training programs based on employees' individual needs and areas of weakness.

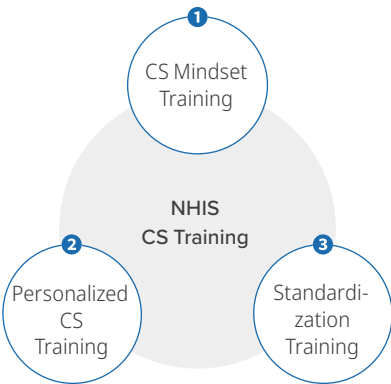
1-2 Communication focused Consumer-Centered Management

Identifying Clients' Needs

Client Satisfaction Survey in 2020

Since 2019, we have conducted client satisfaction surveys to promote Consumer-Centered Management. In 2020, 20,032 clients, who experienced PB service and other services at 87* branches, took the survey. The number of respondents increased by 2.4 times from the previous year, and the overall rating in 2020 recorded 93.54 points, down 1.1 point from the previous year. The service quality score was 92.55 points, maintaining a high level of satisfaction despite the change in the survey method and the increase in

Employee CS Training Programs



- 1 Mindset training for basic understanding of CS trends and client satisfaction
- 2 Training for improving MOT (Management of Technology) and service skills through on-site analysis of branches
- 3 Sharing best service practices through in-house announcements, e.g., CS White Paper and mindset training by posting on CS Plus+

2020 Client Satisfaction Survey and Results (Score)

PB Satisfaction

94.22

Relationship-building: communication, proactivity, relationship management

Job skills: expertise, asset management, follow-up

Business Satisfaction

92.55

Relationship-building: friendly attitude, client-centered mindset

Job skills: presentation, timely response, accuracy

Loyalty

93.85

Overall satisfaction on PB and services

Average

93.54

the number of offline clients. In 2021, we will set up our own survey system and develop a more effective survey process to further increase client satisfaction.

* Separate each WM Center within the Financial Center

Investment Information Survey

In response to a growing demand for mobile access to investment information, we conduct surveys to identify their needs in addition to satisfaction surveys. Every month, clients participate in a survey on their areas of interest and the contents they want to access through online media, e.g., the website, HTS (Home Trading System), and MTS (Mobile Trading System). Their feedback is used to improve our service. As the demand for mobile access to investment information increases, we will conduct the survey on a monthly basis to provide more competitive information based on their needs and help them make informed decisions.

Diversifying Client Communication Channels

Promotions, “Culture Salon” and “NH Super Stock Market”

NHIS organizes various PR events to raise awareness of investment practices and build a brand reputation.

Through “Culture Salon” introduced in 2020, we offered opportunities to experience our investment programs and promote our brand slogan, “Investment Becomes Culture.” Class sessions are held 3 to 4 times a week on interesting topics for younger people, including wine, meditation, and photography to share ideas for fulfilling their cultural needs. In addition, as part of our efforts to raise awareness, we created a cultural space that hosts various events for clients and introduces local agricultural products.

Since the COVID-19 pandemic in 2021, we recognized that the number of clients interested in stocks has increased significantly and the age group of clients became younger, so we have held the “NH Superstock Market” event under the theme of “Stock Investment” to provide opportunities to communicate with MZ (Millennials and

- 1

2
- 1 Culture Salon

2 NH Super Stock Market



generations Z) generation. Clients who visit “NH Super Stock Market” receive mobile phones with an investment simulation app and are able to get a hands-on experience of trading domestic and overseas stocks using virtual seed money and a shopping cart system. There is a separate place known as a futuristic offline branch in “NH Super Stock Market” where clients can talk to our experts through video conferences in real time. Going forward, as part of our efforts to attract MZ generation, we will continue to organize various events to promote communication and raise awareness.

“NH Mentors”, Client Panel Program

To maintain the quality of our service for clients, we established a client panel program in 2017 and the client panels were named “NH Mentors.” The feedback we collected through this program was used to develop consultation services and robo-advisor services, and to improve the “First-time Trading Guide Book” for the QV MTS (Mobile Trading System). Various programs including online and offline, in-depth discussion, and experience groups were implemented to keep track of the demands from potential clients.

Investment Forum “Contents for You”

People who are new to stock market find it hard to understand investment reports filled with technical terms. To help them access and learn that information, we provide contents including cartoons and videos on our MTS. It consists of investment proposals, insights, portfolios and QV asset allocation according to the purpose so they can help them make better investment decisions.

Centenarian Academy and Happiness Balance Index

Through the Centenarian Academy, we have maintained direct communication with clients on life-time asset management and retirement planning. However, there were significant changes to the program due to COVID-19 in 2020. The offline programs were switched to YouTube live streams in April to make it more accessible to the public. Starting with the special lecture “2020 Trend Korea” in January, 10 sessions were held and we also developed the “Happiness Balance Index” including non-financial indicators for the first time in the financial industry to provide a hands-on experience to clients as part of our efforts to create various communication channels.

Reflecting Clients’ Needs

Overseas Stock Market Information Service

As the domestic stock market rallied in 2020, more clients became interested in overseas stock market. In response to this, we increased the coverage of 24-hour Reuters translated news feed from three countries (US, China, Hong Kong) to eleven. For stock recommendation service, we provide mobile card news along with three stocks selected based on AI technology and 1-minute video. With the AI PICK3 service, we managed to improve clients’ access to information and client satisfaction.

2020 Client Panel Program

Checking awareness of potential clients in their 20s and 30s

- Method: online survey
- No. of sessions: 5

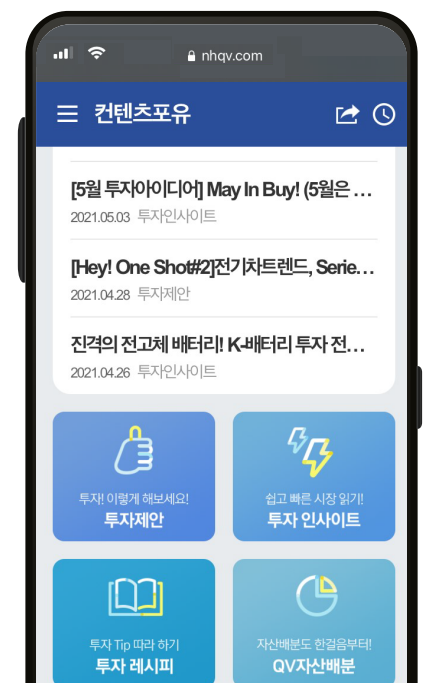
Improving Robo-advisor Service and identifying needs

- Method: offline FGI (Focus Group Interview)
- No. of sessions: 2

Benchmarking non-contact advisor performance

- Method: test group
- No. of sessions: 3

Contents for You



Infrastructure and Convenience for US Stock Market

The US market is the most popular among the overseas stock clients and pre/after-market time is an important part of overseas trading. Therefore, we developed a trading infrastructure specifically for US stock traders to provide a level of convenience that is similar to domestic stock trading. In November 2020, we launched a service to support stock trading before and after the regular trading hours, and the aftermarket service will be extended for up to 4 hours in the future. We also introduced a bespoke service that includes various trading options such as market price, limit price, and LOC (Limit on Close). With these new services in place, about 200,000 - 250,000 clients can check the market price in real time, instead of the 15-minute delay that used to be the norm.

Developing Market-Friendly Index

With recent volatility, people are looking for safe investment options such as global stocks, bonds and raw materials. To meet these demands, we are developing the “NHIS iSelect QV Global EMP TR Index,” a market-friendly index that is designed to track the performance of the QV Global Portfolio, diversify global asset allocation products and promote asset allocation strategies. This is expected to enable continuous monitoring by NHIS portfolio experts (Asset Allocation Strategy Committee) and portfolio rebalancing in line with the global market flow to meet clients’ needs. Going forward, we will release various profitable products including ETN and ETF.

Reflecting Clients’ Inputs

NHIS reflects our clients’ input and feedback in our product development process to promote their engagement and respond to changes. In 2020, we took a more proactive approach in our feedback process, and increased trading options for overseas stock and launched a REITs trading service within IRP accounts.

Consumer Feedbacks

Year	Category	Consumer Opinion	Product/Service Development and Improvement
2018	Complaints	· Request for measures to prevent voice phishing	· Added a notice related to voice phishing · Improved the online loan agreement process · Strengthened monitoring requirements for the fraud detection system
		VOC	· Improvement of recent deposit account list upon transfer · Request for abolishing the minimum fee for overseas stock purchasing
	2019		Complaints
VOC		· Request for online trading service for foreign currency promissory notes · Request for online withdrawal and closure of pension savings fund accounts	
		2020	Complaints
VOC	· Increasing overseas stock trading types · Request for REITs trading service in IRP account		

Issue #01

Sustainable Issue-driven Action

Client Satisfaction through Process-Centric Values

The NHIS’ process-centric value refers to adding values to all processes of improving client satisfaction. We are committed to enhancing the values throughout the entire process, from client meeting preparation, identifying clients’ needs, providing optimal solutions, and follow-up process, and these are reflected in the PB assessment index. We also got rid of KPI (Key Performance Indicators) with focus on financial and value-oriented processes, transforming them into an activity-focused system. By maintaining a close relationship with clients and presenting directions for asset management, our employees serve as reliable partners.

Our process-centric value has been continuously innovated based on various assessment and client satisfaction surveys. In 2020, a regular survey was conducted with about 20,000 clients twice, which consists of four areas - relationship building, employee capabilities, loyalty, and listening to clients and the results were used in the evaluation of branches and personnel, and competency development. In 2020, the percentage of client satisfaction surveys reflected in the evaluation were increased from 30% to 40%. The database that has been accumulated through the surveys will be used in many ways to identify hidden needs and trends of clients. Based on this, we plan to advance our survey model and establish policies for clients. As the risk factors in the market are diversifying, in-depth client analysis and management activities are paramount. Going forward, we will internalize the process-centric values to promote corporate-wide business operation in line with clients’ needs.



Issue #02

Financial Consumer Protection



- 2-1 Creating a Safe Investment Environment
 - Financial Consumer Protection System
 - Financial Consumer Protection Activities
 - Revitalize the Investment Education
- 2-2 Information Security and Personal Information Protection
 - Information Security & Personal Information Management System
 - Raising Information Security Awareness
- Sustainable Issue-driven Action
 - Establishment of Industry's First Intelligent CCTV Control System

2-1 Creating a Safe Investment Environment

Financial Consumer Protection System

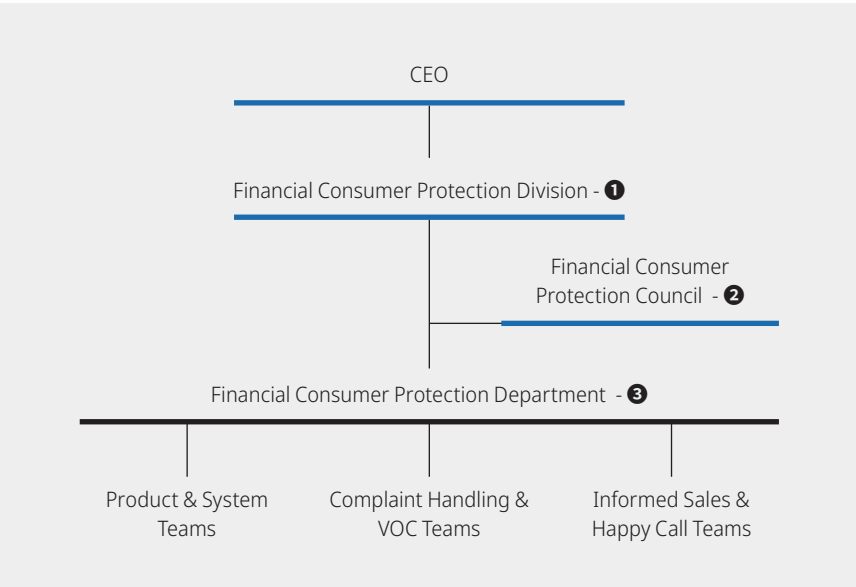
Financial Consumer Protection Group & CCO

In order to take a proactive approach to the consumer protection policies, we are focusing on developing internal competency. To this end, the Financial Consumer Protection Division was organized under the direct control of the CEO, and since 2019, a CCO (Chief Consumer Officer) has been appointed independently to oversee financial consumer protection activities. The division operates the Financial Consumer Protection Council to facilitate coordination between teams to prevent financial loss to consumers and prepare corporate-wide response. Meanwhile, we are strengthening our foundation for consumer protection by carrying out various programs including support systems, review of new product development, and complete sales.

Code of Financial Consumer Protection

The NHIS Code of Financial Consumer Protection was established as the Financial Consumer Protection Charter on December 31, 2014 and revised to the current version on January 21, 2015. The code puts clients first and reflects our commitment to mutual

Consumer-Centered Management Organization



- 1 CCO, Chief Consumer Officer
- 2 Organization that discusses the consumer protection issues as chaired by CCO
 - Make decisions on consumer protection policies
 - Discuss consumer protection plan and system improvements
- 3 Independent organization under CCO
 - Review the aspects of consumer protection when developing new products
 - Complete sales activities
 - Complaint prevention, handling and management

growth with clients. In order to promote consistent practice at a corporate-wide level, we declared the Financial Protection Day where all employees sign a pledge for compliance and raise awareness.

Dedicated Counter for Financial Consumer Protection

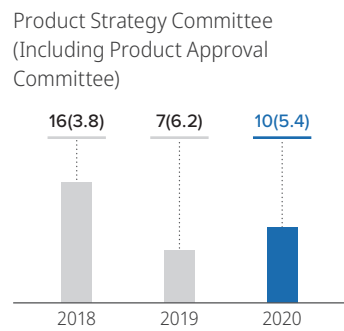
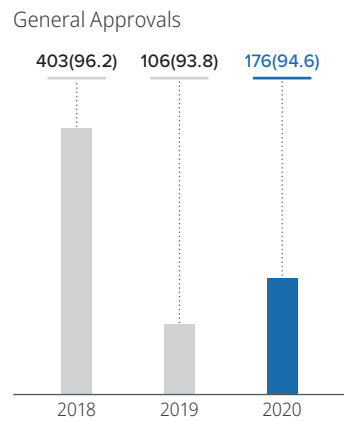
To improve access to financial information for the elderly and people with disabilities and prevent their financial loss, we are operating dedicated counters. They are available in each branch to maintain close communication with clients and in charge of complete sales and CS training to protect clients from financial incidents. In 2020, we offered consultations to 7,046 new elderly clients and dealt with complaints raised at branches. Through this program, only 4 cases of complaints have been reported to branches.

Financial Consumer Protection Activities

Client Asset Strategy Committee

Reckless and informal advertisements for financial products and those with complicated profit structures may cause financial damage to consumers. Recognizing our responsibilities to clients, we review the risks of financial instruments in advance and conducting sales approval of our financial products such as mutual funds, ELS/DLS, debentures, wrap, and MMT (Money Market Trust). In 2020, the Product Approval Committee in charge of this process was promoted to the Product Strategy Committee to strengthen the review process for financial products. In particular, the chair of the Product Strategy Committee was changed from the head of the Product Solution Division to the head of the Corporate Management Division, and the number of members was increased from 6 to 8. Going forward, we will continue to make diverse efforts to protect clients' assets.

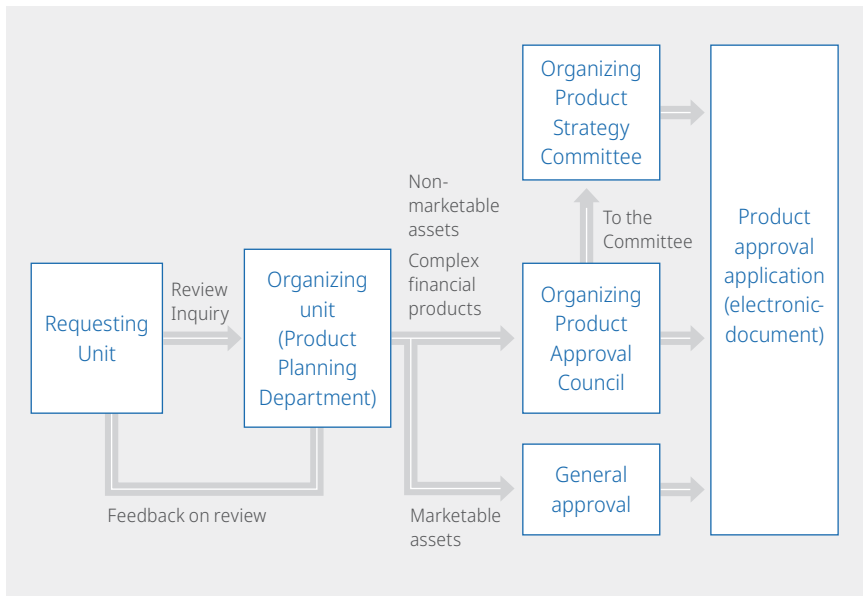
No. of Review Cases by Product Approval Procedure (Unit: Case (%))



Product Council Process

Any divisions of NHIS that sell financial products are required to submit documents to the Product Strategy Committee’s secretariat office according to the “New Product Review Rules” and “Financial Consumer Protection Regulations” as specified in our corporate regulations. Then, the Product Approval Committee Secretariat (currently Product Planning Department) reviews the documents according to a thorough and carefully designed product review process. In 2020, the product approval process was divided into product management method and investment asset type, and then, subdivided into the approvals from the Product Strategy Committee and Product Approval Council, and general approval process to establish a more advanced system.

Product Council Process



Revitalize the Investment Education

The recent investment boom has lowered the barriers to entering asset investment, which has been difficult and unfamiliar. However, according to a survey on financial understanding conducted in 2020 by the Bank of Korea and the Financial Supervisory Service, Korea’s financial literacy rate is still above the OECD average. In order to create a mature domestic investment culture and prevent financial incidents, NHIS continues to provide educational programs for various types of clients.

Retirement Planning Education for Middle-Aged and Elderly Clients

For elderly clients who are experiencing socio-economic changes, we develop and publish Centennial Report and Research as educational content for them. We also offer the contents that is easy to understand to help them grow their retirement assets and raise awareness about financial products. In 2020, we published 9 Centennial Report and Research to shed light on the aging trend and retirement planning.



THE100Report

Educational Contents for Novice Investors

NHIS has created various educational contents for novice investors through online and offline channels. The 16 contents including Wise Investment Life and Personalized Investment have been provided, so people can access information more easily. Based on analysis of economic conditions and global markets, we also offer specialized contents that can appeal to more experienced investors, and the contents channels will be operated in diverse ways.

Contents for Novice Investors



2-2 Information Security and Personal Information Protection

Information Security & Personal Information Management System

Information Security & Personal Information Management Organization

Personal Information violations cause a serious loss to our society. Since financial companies handle sensitive personal information and information about clients’ assets, it is essential to manage security and prevent violations. Therefore, we are engaging in various activities to provide secure financial services under the guidance of the Information Security Group.

Raising Information Security Awareness

Personal Information Protection Training

Our employees are encouraged to protect information to the best of their abilities and authorities granted to them. They are required to personal information protection training once a year, and subject to different types of training programs based on their position (head of division, executives, and CEO). In 2020, a total of 18,261 hours were devoted to personal information protection training, and all employees joined their efforts to enhance security practices. As a result, only one case of privacy violation has occurred for the last 3 years. Going forward, we will continue to be alert to personal information leakage and try to prevent incidents.

Information Protection Campaign

Any reckless behaviors resulting from a lack of awareness pose a major threat to information protection. NHIS organizes information protection campaign twice a year. In 2020, the annual information protection quiz event was held to provide our employees with an opportunity to develop more common sense in this area. In the second half of the year, we held the “Leaving a comment to support my commitment” event to raise security awareness. Despite challenging situations created by the pandemic, we are going to continue our campaigns and plan to organize a corporate-wide campaign after moving to a new office building.

Information Protection Training and Cases of Violation

Hours of Information Protection training (Unit: Hour)

18,261

Electronic financial fraud for the last 3 years (Unit: Case)

Zero

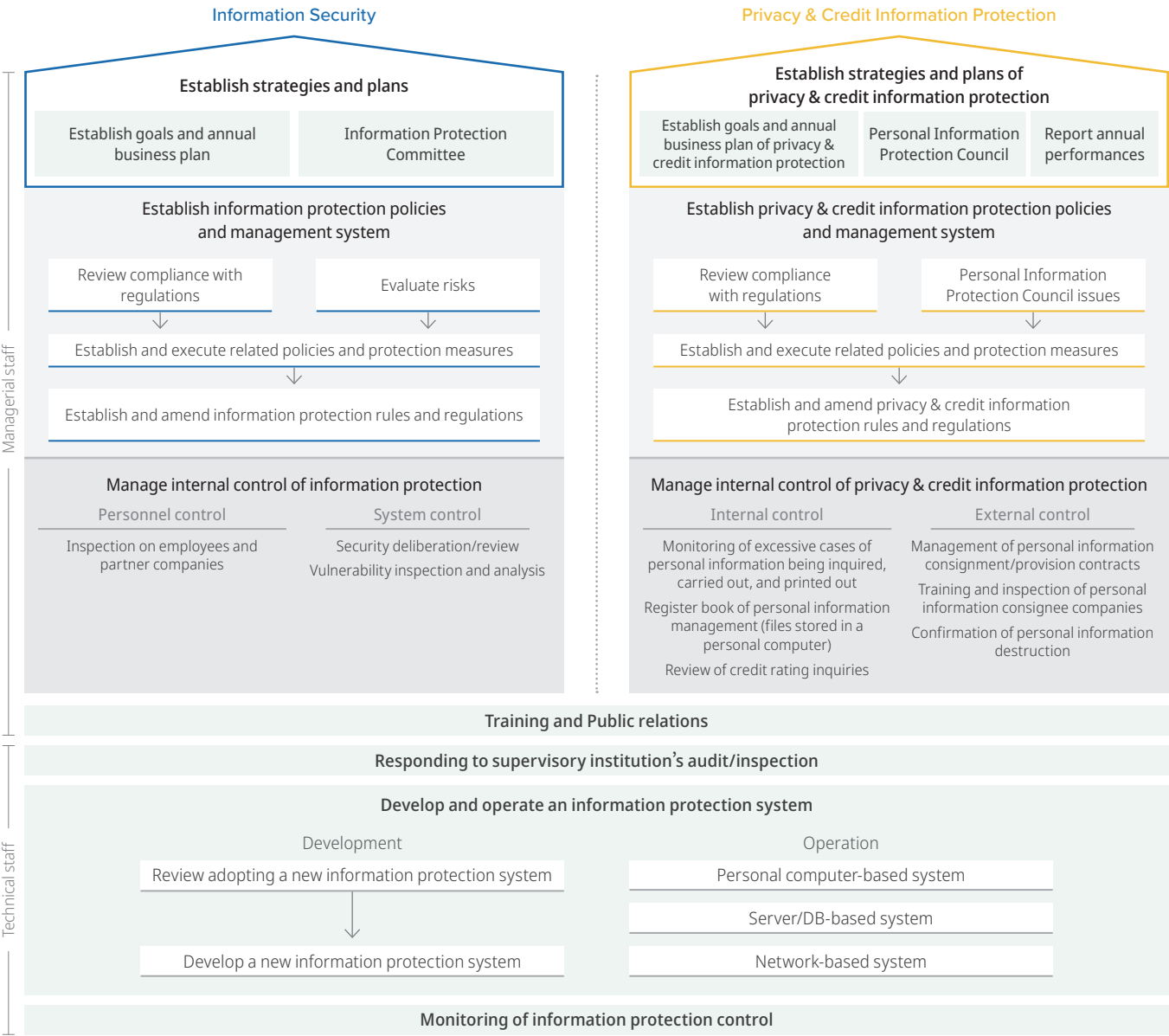
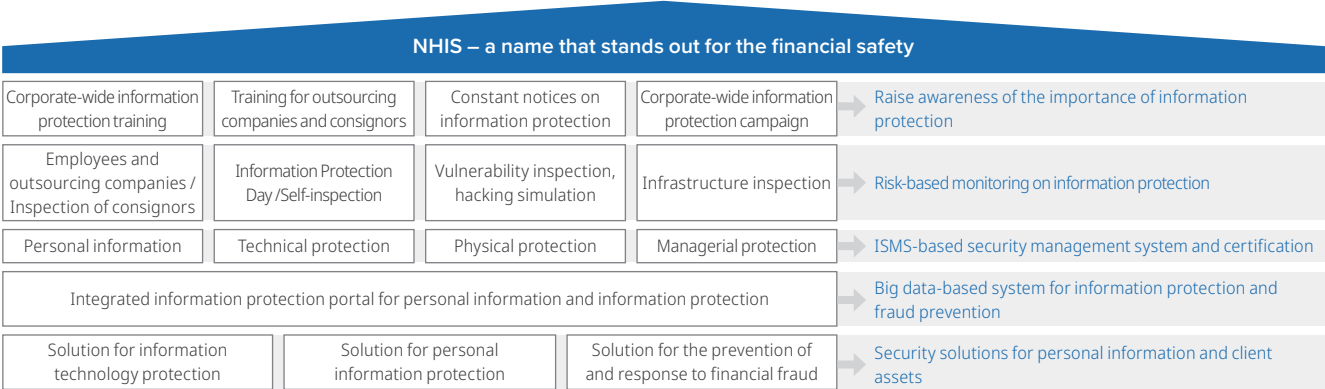
Personal Information exposures for the last 3 years (Unit: Case)

1*

* Cases of system error caused by partner companies while performing IT system update – Current Media System Division

* Facilitating personal information masking and duplicate file prevention functions to prevent recurrence

Information Protection Strategy



Information Protection Day

At NHIS, we designated the second Friday of each month as “Information Protection Day” to conduct self-inspection on security. A message is sent to the CM and the head of centers to inform our employees, and they will be notified again if they failed to perform the inspection. The inspection covers information retention, access, release, printing, and account detail download history.

Cyber-attack Simulated Training

As cyber-attacks on financial stability are becoming ever more sophisticated, it is critical to take a proactive approach through repeated training. When it comes to information security, NHIS conducts APT (Advanced Persistent Threat) training in response to ransomware attacks in coordination with the Financial Security Service. For employees who failed the training organized with the Financial Security Agency, extra APT training and evaluation are carried out at the Security E-Learning Center. By doing so, we are raising information protection awareness when using email and preventing other reckless behaviors.



Issue #02

Sustainable Issue-driven Action

Industry’s First Intelligent CCTV Control System

Financial disputes and incidents cause loss of assets to consumers. Furthermore, if consumers’ trust in the financial investment industry collapses, our society suffers serious loss. As financial incidents continue to occur, there is a growing demand for regulatory systems that can prevent financial incidents.

NHIS built an intelligent CCTV control system at a corporate-wide level to take initiatives in consumer protection. The system is designed to control CCTVs in more than 80 branches nationwide and take a proactive approach to disputes

and follow-up processes that may occur during sensitive financial transactions. It also features high-resolution images that can be used as specific evidence in case of a financial incident, and large-capacity data is stored in the data center along with data duplication support for data recovery even in the event of an inevitable data failure. The stability of personal information is secured by strengthening our CCTV security policy, including detection and prevention of intrusion and analysis of external access through hacking and network modification. Above all, it

has the advantage of managing CCTV images at a corporate-wide level, unlike previous systems that were individually managed. Based on this system, we will continue to build a long-term trust by dealing with malicious complaints as well as strengthening our internal control.

Issue #03

A World of ESG Innovation



3-1 'ESG Transformation 2025'
Establishing ESG Investment System
Leading ESG Investment Culture

3-2 ESG Financial Solutions
Environmental Investment
Strengthening the Social Function of Investment

Sustainable Issue-driven Action
Declaration of Coal-Free Finance

3-1 'ESG Transformation 2025'

In February 2021, NH Financial Group declared the 'ESG Transformation 2025' Vision, a transition to an ESG management system, in order to promote eco-friendly financial practice in line with the government's carbon neutrality and the Green New Deal policies. NH Financial Group also announced Coal-Free Finance to increase their



Social value creation and green finance campaign
led by Son Byeong-Hwan,
Chairman of NH Financial Group

investment in eco-friendly businesses and renewable energy sectors instead of in new PF (Project Financing) loans and bonds for the construction of domestic and overseas coal power plants.

In order to participate in the ESG Transformation, we improved the profitability through Green Impact Finance, which focuses on investment in the renewable energy sector, and fulfill our social responsibility in finance through Agricultural Impact Finance that supports eco-friendly agriculture and agri-food companies as a member of Nonghyup affiliates. We have also established strategies to enhance our ESG performance. In order to support our identity and social responsibilities, we plan to expand our volunteer programs in rural areas and convert physical resources to eco-friendly ones through replacement of corporate cars with electric vehicles. In addition, we plan to take the lead in implementing the ESG Transformation programs by engaging in activities including ESG campaigns for social value creation and green finance.

Establishing ESG Investment System

Promoting ESG Organization

The growing importance of ESG roles in financial investment industry makes ESG as a crucial aspect of competitiveness for a company. In response to this trend, the ESG TFT serves as a pivotal role to promote its internalization as a key business strategy. ESG TFT operates in agile form for close collaboration and rapid decision-making among working-level departments. Its major tasks are to set the direction for ESG strategies, improve ESG-related ratings, and expand disclosure channels. Going forward, we will organize the ESG Council to be in charge of making important decisions, which consists of the CEO and head of divisions (e.g., Strategy, Risk, Product, IB, Investment etc.).

Leading ESG Investment Culture

Industry's First Publication of ESG Reports

As more companies introduce the Stewardship Code and the revitalization of socially responsible investment led by the National Pension Service, ESG integration (integrated investment), which focuses on non-financial information, is becoming popular in the domestic market. In 2019, we published the NH ESG Report in Korean and English about the analysis of 15 leading companies for the first time in the financial industry. Since March 2020, we included key ESG indicators and related issues in all our corporate analysis reports published by the Research Group to provide investors with insights. Thus, we strengthened our position as a leading ESG research company based on which we will explore new business opportunities.

Developed an Industry's First ESG Index

At NHIS, we are developing ESG indexes in response to the expansion of the ESG paradigm and the demands from institutional investors. As a result, we developed two ESG indexes in 2020. The ESG indices contribute not only to spreading ESG investment, but also to generating steady income through usage fees and coordination with ESG products. Going forward, we will launch products that track ESG index, including ETFs and funds while developing ESG index with individual items.

Key Action Plan for ESG TFT

- 1 Publishing sustainability reports, respond to external ESG assessments
- 2 Conducting ESG performance assessment
- 3 Issuing ESG bonds
- 4 Building environment-related database (e.g., carbon)
- 5 Promoting ESG activities for affiliates
- 6 Developing ESG-linked CSR programs
- 7 Developing ESG-related products and services
- 8 Publishing ESG bonds and credit analysis reports
- 9 Establishing a system for implementing Green New Deal projects
- 10 Building corporate reputation through ESG promotion

Development of NHIS ESG Index

iSelect ESG Holding Company Index

Composed of domestic holding companies in consideration of ESG ratings of sustainable power plant

MK-iSelect AI ESG Index

Composed of top 30% stocks by combining the ESG risk scores and ESG ratings of sustainable power plant



Industry’s First ESG IR Event Hosted

After the break-out of COVID-19, the importance and necessity of ESG leadership and related investment have been highlighted throughout the financial industry, and a significantly increased number of investors pay attentions to ESG investments. NHIS held “NH ESG Corporate Day,” an ESG IR event for the first time in the financial industry, in December 2020 to promote socially responsible investment practice. Companies such as Samsung Electronics, SK, SK Telecom, KB Financial Group, NAVER, and KEPCO joined the non-contact event organized for institutional investors that manage major investment funds, such as the National Pension Service. The event was held as a communication ground for the corporates and the market in focus of ESG related issues. By doing so, we encouraged businesses to establish ESG strategies and contributed to the promotion of socially responsible investment.

3-2 ESG Financial Solutions

Environmental Investment

Issuing ESG Bond

NHIS issued KRW 110 billion, five-year maturity, ESG bonds, for the first time in the financial industry in February 2021. Prior to the issuance, we established a management system for ESG bonds and underwent the certification process with Deloitte Korea. As a result, the demand for investment was higher than the initial recruitment of KRW 100 billion, and we successfully raised KRW 620 billion. We used the capital on SMEs to support their eco-friendly practices and it is meaningful as it was used to finance SMEs facing difficulties in acquiring eco-friendly facilities. Going forward, we will continue to expand the issue of ESG bonds and disclose their fund distribution and environmental impact.

Strengthening the Social Function of Investment

Operation and Product Development of Centenarian Age Research Institute

Although Korea is one of the fastest aging countries in the world, it fails to keep up with the pace when it comes to retirement planning. Therefore, the growing elderly poverty is one of the major challenges of our society. In response to this social problem, we established the “Centenarian Age Research Institute” in September 2011. Centenarian Age Research Institute is operated under the mission of making the second half of people’s life richer and happier as a total platform for lifelong asset management and retirement planning.

ESG Investment Performance

At NHIS, we are generating stable profits by offering financial products based on the principle of responsible investment practice. By discovering CSR and ESG-themed investment products, we are committed to building a virtuous cycle of ESG investment as we support sustainable growth and increase the ROI for our clients. We achieved sales about KRW 75.9 billion from preset ESG funds, and will continue to expand our ESG portfolio.

NHIS ESG Fund (Sales in 2020)

(Unit: KRW 100 million)

283	65
NH-Amundi Century Green Korea Securities Equity	Multi Asset Global Clean Energy Securities Feeder Investment Trust Equity
35	24
Korea Investment Management Credit Focus ESG Securities Feeder 1 Bonds	UBS HANA IPO Stock & Governance Structure Securities feeder Investment Trust Bond Balanced
24	16
Korea Investment Management e Short-term Bond ESG Fund Bonds	MIDAS Responsible Investing Securities Equity

Specialized Products for Raising Agriculture Support Fund

We are committed to grow into a socially responsible corporation by upholding NongHyup’s “sharing management philosophy” that aims to promote the welfare of farmers and to contribute to the development of the local communities. To this end, we launched specialized products to raise a support for farmers in 2017, and donated the fund raised through sales to public interest groups including “National Rural Support Campaign Headquarters.” In 2020, the sales of Agriculture Support derivative securities (IPO ELS) reached KRW 192.7 billion.

Issue #03

Sustainable Issue-driven Action

Declaration of Coal-Free Finance

Currently, various industries are putting great efforts to manage and govern activities toward the sustainable growth in response to climate changes, and the financial industry, in particular, recognizes its responsibility and many financial companies started to express its commitment through related declarations and policies. To support this movement, NH Financial Group declared Coal-Free Finance to take initiatives in sustainable, carbon-neutral growth. By doing so, the group will take proactive approach to prevent crisis upon climate changes and environmental pollution by offering eco-friendly financial services.

In line with NH Financial Group’s initiative, NHIS will neither finance any new projects for building coal power plants, nor acquire new bonds issued by SPCs (Special Purpose Company) to finance such projects. In addition, the financial resources previously invested in the coal industry will be transferred to enlarge our investment in eco-friendly and renewable energy projects while

establishing financial support plans for related industries.

ESG bonds issued by NHIS in 2020 reached KRW 690 billion in total. Going forward, we plan to strengthen ESG bond marketing for major groups and public corporations, while boosting ESG bond issuance targets. We are also actively promoting our financial advisory services and arrangements for renewable energy projects as part of the Korean New Deal Policy. To this end, we will design structured products that can support the existing business feasibility, including solar and wind

energy projects, and meet investors’ needs and revitalize the market through portfolio tranching*. Meanwhile, we plan to provide financial advisory services for solar energy projects based on resident participation systems including Yimjado, Jeollanam-do, and Saemangeum District #2, where renewable energy projects are under development, so that we can buildup the acceptance of local community and the public interest.

* Portfolio Tranching: Segmenting operational strategies by dividing portfolios into duplicate pieces of the same underlying strategy.



Issue #04

Digitally Delivered Financial Life



- 4-1 Building Foundation for Digital Finance**
 - Creating New Digital Financing Organization
 - Developing Internal Digital Capabilities
 - Technical Cooperation for Digital Finance
- 4-2 Realization of Digital Finance**
 - Promoting Investment through Digital Finance
 - Improving Efficiency through Digital Finance
- Sustainable Issue-driven Action**
 - Mobile Asset Management Platform “NAMUH”

4-1 Building Foundation for Digital Finance

Creating New Digital Financing Organization

NHIS newly established the WM Digital Division in the retail sector to meet the fast changing and daily growing needs of non-contact clients’ financial needs. The Digital Sales Group and Digital Solution Group were established under the WM Digital Division as a foundation for leading digital finance. The Digital Sales Group will be in charge of asset management services for non-contact clients, whereas the Digital Solution Group develop specialized products and systems optimized for digital infrastructure. By doing so, we are able to respond to the changing paradigm of the financial industry and develop new business opportunities.

Establishing Big Data Center

In response to the growing importance of data as a strategic asset in the financial industry, we established the Big Data Center in December 2020 and appointed an outside expert with extensive experiences in the field as the head of the center. We also focused our resources and hired outside data analysis experts and our internal talents. The Big Data Center will play an integral role in the corporate-wide digital innovation by analyzing big data and developing AI-based business process and optimal solutions to each business unit while exploring new business opportunities.

Developing Internal Digital Capabilities

Expanding Recruitment in IT & Digital Groups

As numbers of non-contact transactions are increasing due to the COVID-19 pandemic, there is a growing demand for digital financial services. That is why we are staffing our IT and digital units to improve convenience for clients. 50% of new hires in 2020 were for IT and digital professions, a 30% increased from 2018. We are also committed to securing talents in the IT and digital sectors, sparing no efforts through various activities including career presentations for engineering majors.

Expanding Digital Training for Employees

At NHIS, we are expanding our support for a wide range of employee training programs focused on digital capabilities. In 2020, we added new digital and IT training courses within our online programs, resulting in an increase in participants by 5.6 times, despite this situation where no offline courses are available due to the COVID-19 pandemic. We also organized the specialized courses for digital expertise for 117 employees including Java certification training. By doing so, we added our competitive edge across the company beyond strengthening the individual capabilities of our employees.

Technical Cooperation for Digital Finance

Holding the 1st Big Data Contest

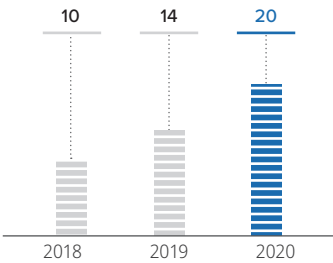
The main clients of the digital finance that incorporate IT technology are 20s and 30s millennials, and their innovative ideas are the first step toward a new change for NHIS. That is why NHIS held the 1st Big Data Contest for 3 months in November 2020. 1,024 teams with undergraduate and graduate students from 129 colleges around the world participated in the contest. In the Algorithm League and Visualization League, a team performance was reviewed based on the creativity, process, and feasibility, and seven finalists were qualified for the main event and presented their works. At the end, we provided the students of teams with opportunities to analyze financial data and gain career experiences through the internship programs for those who won the Grand Prize and Second Prize. In the future, we will spare no effort to support the ecosystem based on internal and external data by financing and organizing the contest on a regular basis.

MOU for Joint Research with SNU Graduate School of Data Science

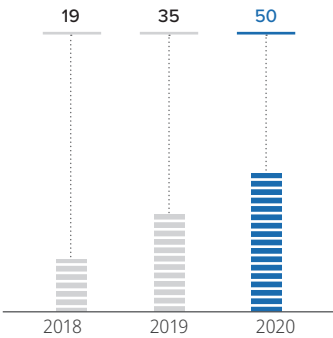
We are exploring new business opportunities and promoting collaboration, lead to insights into the changing business environment. In 2020, we signed an MOU with Seoul National University Graduate School of Data Science for a joint research project on core technologies for asset and wealth management based on MyData. MyData is a service that enables financial companies to collect and manage clients’ data with their consent. Based on the collected data, financial companies are able to render products and services to each client, which makes it easier and more convenient for them to manage their assets. We are committed to generating stable profits while offering follow-up to assure every client. Our ultimate goal is to provide financial products and services that ultimately no one is left out by making stable investment profits for clients and relieving client anxiety through continuous follow-up management.

Recruitment for IT and Digital Groups


New hires in IT/digital groups
(Unit: Person)



Percentage of IT/digital groups among all new hires (Unit: %)



Expansion of Digital Training for Employees

 Re-training for coding in response to changing IT environment (Support for Java certification)
· No. of participants: 117

 Increasing digital and IT courses within online training (213 new courses including foreign languages, statistics, coding, and new technologies)
· No. of participants: 327

Improvement of Work Process and Service based on Digital Technology

2018

RPA (Robotic Process Automation) solutions

: Automated more than 100 processes in headquarter

2019

Creating accounts in conjunction with the automation system of the Ministry of the Interior and Safety

: Simplified the work process and improve convenience through automation of identification process at branches

2020

Launch of joint open banking service

: Enhanced convenience for clients by providing other financial services, e.g., financial information inquiry and transfer services

Co-established UX Design Research Institute with KAIST

Creating a client-friendly platform is just as important as applying innovative technologies when it comes to leading the digital finance. At NHIS, we have conducted a joint research with KAIST for three years to build a client-friendly digital platform. In 2020, the UX Design Research Institute was established to support ongoing research through digital channel UI/UX (User Interface/User Experience) analysis, new UI/UX research, and cooperation to support education for the next three years as a continuation of the partnership. This is expected to serve as a foundation for developing competitive advantages in platform operation.

4-2 Realization of Digital Finance

Promoting Investment through Digital Finance

Enhancing Robo-Advisor Performance

Robo-advisor is an artificial intelligence specializing in asset management that is able to predict ROI and create big data based portfolios. NHIS has six products using this technology that generate stable profits. In 2020, we improved the product performance through joint academy-industry research and R&D with Korea University, and recorded a 12% increase in yield compared to the existing algorithm. We have also developed a business forecast model using XAI (Explainable AI) technology. Currently, this technology is used for analyzing macroeconomic indicators as a key asset allocation algorithm by about 200 organizations including the Bank of Korea, the Federal Reserve Bank, and the Energy Information Administration.

Development of “NH Robo EMP Asset Allocation” Robo-Advisor Service

NHIS has launched a wide range of products and services using Robo-Advisor technology in the market by stabilizing products' profitability. In 2020, we introduced the “NH Robo EMP Asset Allocation” service that analyzes data collected through AI, determined the most effective investment targets and ratio in the current market conditions, and provided portfolios tailored to clients' preferences. When a market risk is identified, the service triggers a signal to minimize loss, thereby assisting clients to manage their assets with stability.

Improving Efficiency through Digital Finance

Launched an Open Banking Service

Prior to the launch of the open banking service, clients had to visit other financial institutions where they keep their funds or transfer their investment funds to NHIS through online transactions. To reduce this inconvenience, we launched the open banking service in December 2020, which is an open financial platform. Now, clients can conveniently use other financial institutions' businesses such as financial information inquiry and transfer through the MTS (Mobile Trading System). We are committed to improving the experiences for new and existing clients with user-friendly UI and UX. We will work with credit card and fintech companies to develop plans to advance the current open banking system in 2021.

Signed an MOU with Kakao Enterprise to Innovate Work Process

NHIS is committed to improving the efficiency in workplaces by applying digital technology to daily practice. In 2020, we signed an MOU and agreed a mid/long-term strategic partnership with Kakao Enterprise. Then, we plan to jointly develop a financial package for the messenger service named “Kakao Work” to improve work communication and promote the transition to a digital office environment. Going forward, we will continue to develop new business models that combine our financial know-hows and Kakao Enterprise's innovative digital technologies.



Signed an MOU with Kakao Enterprise

Issue #04

Sustainable Issue-driven Action

Mobile Asset Management Platform “NAMUH”



People in their 20s and 30s who show a growing interest in investment are emerging as new target clients in the financial investment industry.

In order to attract younger generation of people who are familiar with non-contact financial transactions and investment services, rather than offline services such as visiting branch offices for various financial transactions, a platform with friendly UI/UX and simplified process is the key competitiveness in the market. That is

why financial industries are committed to building a long-term relationship with their clients in 20s and 30s.

NHIS is offering convenient brokerage trading platform and services using its mobile trading brand, “NAMUH”. Unlike services from other securities firms where clients have to open a CMA account and a separate account for trading, our CMA accounts can be used for comprehensive financial transactions including brokerage

trading services. We will continue to improve our client satisfaction by offering services to provide free withdrawal fees and we will also offer debit cards for all clients with no restrictions.

NHIS is the only securities company in Korea in partnership with all Internet banks (e.g., K-Bank, Kakao Bank). Our partnership with Kakao Bank, which started in February 2020, is an opportunity to dramatically increase pools of clients in their 20s and 30s. In 2020, 720,000 clients, 47% of the 1.5 million new clients of NAMUH, were introduced through Kakao Bank. As 66% of new clients were determined to be below the age of 30, it is a great opportunity for us to raise our brand awareness among young clients.

To build upon this social trend and inflow of young clients, we will continue to offer competitive products along with mobile-based convenience and exclusive benefits to extend the relationships with our clients.

2021 and Beyond

Solutions for Prioritizing Client Value

Goal & Target Date



NHIS firmly believes that we build indispensable partnerships with clients by delivering optimal financial solutions as a truthful advisor when clients seek advices or approach with unacknowledged financial needs, and it is the foundation of our business. To this end, we reflect clients’ feedbacks and inputs in our practice through strategic experience management with focus on client-centered values.

We also offer services to the market for various client groups to develop long-term rrelationships, rather than earning short-term profit. Our comprehensive financial consulting services are designed to reach beyond wealth management through the family office services and to offer complete financial consulting services. We plan on attracting potential clients including generation MZ (millennials and Generation Z) through hands-on experience driven events.

Solutions for Financial Consumer Protection



NHIS puts great efforts to make new waves of retail investors’ experiences pleasant and to safeguard middle-aged investors’ wealth searching for a comprehensive management service. The financial securities industry is information-intensive, and each and every department at NHIS focuses on the roles assigned under the common goal of achieving the culture of financial consumer protection.

It is paramount for us to secure and protect clients’ personal and financial information through the collection-storage-process system. With this goal, we will build a reliable platform to ensure clients’ rights and implement a rating system in compliance with the applicable laws and regulations. As new technologies become available and require more stringent security measures with a digital financial innovation, we will maintain a balance between digital innovation and security. Recognizing that sustainable growth cannot be achieved without building trust with clients, we will continue to promote security and reliability as our top priority.

Solutions for A World of ESG Innovation



To this end, we are going to focus on analyzing market shifts to explore new business prospects while improving the profitability of the ongoing ESG-related products and services. Especially, we are in process to launch the portfolio advisory service that selects high-rated ETFs utilizing steady profit generating ESG index. Also, NHIS plans to expand the role of ESG research. It has been playing a pivotal role to expand the business spectrum of IB and brokerage, and it will continuously search for a genuine business opportunity to generate profit. We will also reform ESG operation and lay a foundation for growth based on an ESG-focused organizational structure and employee training.

Solutions for Digitally Delivered Financial Life



Recently, there has been a demographical shift in the stock market and a growing number of new stock accounts are held by people in their 20s and 30s. In consequence, we see a large scale of investment made through digital platforms that young clients prefer to use. Fast growing needs of digitally delivered financial services have become a turning point for the domestic investment practice to expand further and mature.

We will also spare no efforts to promote inclusive digital financial practice. Digital platforms bring never-before-possible convenience to digital clients with great advantages since it can provide services to clients regardless of time and location. However, some clients are not comfortable with digital changes, so we are working on an R&D project to build a user-friendly platform that is easier and more convenient for digitally marginalized users. With these efforts, we will drive digital innovation that embraces all types of clients and their needs.

Data Reporting

Environmental Part

Environmental Business Commitment

Environmental Business Initiative

At NHIS, we are enhancing environmental awareness and responsibilities through sustainable business activities. In order to manage key environmental data such as GHG emissions, waste, and energy consumption, a GHG management system (ECO-partners.co.kr) is maintained while disclosing our carbon emission data through CDP (Carbon Disclosure Project) every year.

Eco-friendly Work Environment

In order to practice eco-friendly business operation with high efficiency and eco-friendly product purchase, we require installation of dust collectors for construction work at our head office and branches to minimize dust. We also use eco-friendly and asbestos-free building materials and flame-retardant process as well as a photocatalytic process before and after construction to create a safe and pleasant environment. Going forward, we plan to prioritize eco-friendly products and green operation while conducting power safety inspections to ensure energy efficiency. In 2021, 10 out of 12 corporate vehicles are planned to be purchased as electric vehicles, and we plan to gradually increase this the ratio of eco-friendly products purchased in the future.

Paperless Digital Counters

NHIS is reducing paper consumption by introducing paperless digital counters at our branch offices nationwide and distributed tablet PCs and digital devices for consultation to minimize printouts. We also provide information on financial products through text messages or e-mail and use the electronic reporting system to reduce unnecessary printouts, so that all employees join in our mission to protect the environment.

Environmental Performance & Targets

Energy Consumption

Category	2018	2019	2020
LNG (1,000m³)	39.5	33.2	30.9
Diesel (Liter)	260	215	220
Electricity (kWh)	5,432,496	6,389,736	6,371,014

Greenhouse Gas (GHG) Emissions

(Unit: tCO₂eq)

Category	2018	2019	2020
Direct GHG emissions (Scope 1)	87.3	73.6	68.5
Indirect GHG emissions (Scope 2)	2,999.4	2,979.4	2,979.6
Other indirect GHG emissions (Scope 3)*	1,417.0	1,259.2	378.1
Total GHG emissions (Scope 1+2+3)	4,503.7	4,312.2	3,426.2

* Scope 3 is estimated based on the distance of employees' domestic and overseas business travels by emission factor by transportation means.

Water & Raw Materials

(Unit: Ton)

Category	2018	2019	2020
Water consumption	41,772	39,002	36,148
Paper consumption	98	100	100

Volume of Waste Disposal

(Unit: Ton)

Category	2018	2019	2020
General waste	300	140	180
Specified waste	60	71	83
Waste recycled	120	120	120

*The scope of environmental performance is limited to the domestic head office excluding affiliates, subsidiaries, business partners, and overseas branch offices.

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Social Part

Employees

Recruitment and Evaluation

Securing Talents and Employments

NHIS considers human resources as the most important factor for the company’s sustainable growth. To this end, we are laying a foundation by securing talent and employments. For non-permanent and contractual-based employees who have worked over a year, we provide an opportunity to convert their employment type to indefinite-term contractual-base and we have improved the benefits towards non-permanent employees in 2019. We have also established a plan to develop a sense of belonging and loyalty for employees to the company by offering the equal welfare benefits including leaves, educational expenses, medical expenses, and supports for special family occasions.

Efforts to Secure Talents

Under the global expert nurturing program, we participate in diverse events such as Global Road Shows for overseas university and MBA students and the Financial Job Fair to attract the global talents. We are also enacting ongoing efforts by providing job opportunities for those with experiences and expertise in various fields.

Fair Recruitment and Evaluation Process

Under our HR policy of “Equal Opportunities and Respect for Human Rights,” we are committed to securing talents and promoting diversity. We do not tolerate any discrimination based on region, academic background, age, or gender, and practice blind recruitment to focus on the applicant’s job competency and advancement. With the new evaluation system introduced in 2019, we evaluate the work by the process and performance targets agreed upon between the evaluator and employees. In other words, we value the process as much as the result, so that individuals’ efforts are accurately reflected in the evaluation. We also prevent unfair evaluation by adopting petition and feedback system for evaluation, and organize the Talent Development Committee to motivate our employees to develop their expertise and skills.

Employees (Unit: Person, %)

Category		2018	2019	2020
Total no. of employees		2,980	3,028	3,053
New employee hires	Men	123(56.7)	114(58.2)	108(73.0)
	Women	94(43.3)	82(41.8)	40(27.0)
Employee turnover	Men	72(58.5)	73(53.3)	118(67.4)
	Women	51(41.5)	64(46.7)	57(32.6)
Employment type	Permanent	2,277(76.4)	2,257(74.5)	2,199(72.0)
	Non-permanent	703(23.6)	771(25.5)	854(28.0)
Region	Domestic	2,967(99.6)	3,016(99.6)	3,040(99.6)
	Overseas	13(0.4)	12(0.4)	13(0.4)
Position	Executive officer	61(2.0)	64(2.1)	66(2.0)
	Managerial	1,716(57.6)	1,847(61.0)	1,918(63.0)
	Staff	1,203(40.4)	1,117(36.9)	1,069(35.0)
Age	20s	196(6.6)	237(7.8)	299(9.8)
	30s	1,179(39.6)	1,138(37.6)	1,131(37.1)
	40s	1,117(37.5)	1,069(35.3)	1,057(34.6)
	Over 50s	488(16.4)	584(19.3)	566(18.5)
Gender	Men	1,797(60.3)	1,815(59.9)	1,827(59.8)
	Women	1,183(39.7)	1,213(40.1)	1,226(40.2)

* Non-permanent positions (including salary contract employees, sales professionals, indefinite-term contractors, short-term contractors, and part-timers)

Employee Diversity

Diversity in the Workplace

At NHIS, we are creating a workplace where gender equality is part of the culture by increasing the ratio and the number of managers of women among the workforces. We are committed to promoting social equality and diversity when it comes to recruitment to support people with disabilities, national veterans, job applicants who have graduated from certain schools and/or areas, and the socially underprivileged. In 2020, the proportion of women among all employees stood at 40.2%, showing a steady increase over the past three years.

Employee Diversity (Unit: %)

Category		2018	2019	2020
Women leadership	Percentage of women in workforce among total	39.7	40.1	40.2
	Percentage of women in workforce among total managerial workforce*	20.1	22.0	23.7
	Percentage of women in workforce among employees with non-permanent positions	26.2	27.1	26.8
	Percentage of women in workforce among employees with permanent positions	43.9	44.5	45.3
Other employee diversity data	Percentage of high school graduates	7.5	7.6	7.4
	Percentage of veterans	3.1	3.1	3.1
	Percentage of the disabled	1.1	1.1	1.2

* Managerial level : Managers or above position

Employee Training

Increasing Training Opportunities

At NHIS, variety of training programs are offered to develop the expertise of our employees. The programs are largely divided into leadership and expertise training, and we support diverse programs by the roles and positions of the employees. In 2020,

the training environment has undergone changes. In terms of online and offline training programs due to the pandemic, resulting in a reduced average training cost per employee. However, we spare no efforts to create an online learning culture by providing 330 videos through 18 online training courses.

Employee Training (Unit: KRW 10K, Hours)

Category		2018	2019	2020
Average training expense per person		56.2	85.6	40.0
Average training hour per person	Men	77	58	57
	Women	84	74	66
Training hour per person by job type	Branch sales staff	92	83	97
	Branch support staff	86	93	64
	Head office sales staff	65	46	37
	Head office support staff	81	57	48

Employee Benefits

Improving Employee Fringe Benefits

NHIS sought to improve employee accessibility and convenience when they apply for employee benefits and welfare, and how they receive fringe benefits. An information section in the internal homepage “NHOW” is created to provide details of employee benefit policy to ensure employees access to the programs and improve the convenience in the application process.

Housing Support

We offer various loan supports for the purchase and long-term lease of houses, and we utilize internal labor welfare funds to manage various loan systems such as housing finance loans and livelihood stabilization loans. Housing support expenses are provided to employees who have been relocated to local branches.

Leave

In addition to the annual leaves specified in the Labor Standards Act, NHIS offers various leaves including Refresh Leaves and Sabbatical Leaves. The former provides financial supports when five consecutive days are taken as leaves in a year, and about 400 employees are benefited by the program each year. The Sabbatical Leave system is a paid leave with the same number of days if the employee uses 2.5 - 5 days of the annual leave. This is available for every five years of employment, so employees can enjoy a long-term leave.

Work-Life Balance

Reduced Working Hours for Better Productivity

In 2019, NHIS launched “NH Smart Work 3.3.3 Campaign” and “Leaving work on time” to reduce working hours. To this end, RPA (Robotic Process Automation) was introduced to automate repetitive tasks and increase productivity and performance. Various arrangements are also available such as flexible working hour and alternative work schedule, thereby allowing employees to adapt to a constructive working environment.

Support for Family-friendly Corporate Culture

NHIS is committed to enhancing a healthy work-life balance for employees. We promote women in the workforce to use maternity leaves and fertility leaves if necessary, and everyone can use parental leaves regardless of their genders. An in-house daycare center is established in 2017 for the first time in the securities industry, and educational expenses are covered for those whose children do not use the facilities. The educational benefits include elementary, middle, high and university students. As a result, 98% of women in the workforce who took maternity leaves have returned to office to continue to work in 2020.

Parental and Childcare Leave

(Unit: Person, %)

Category		2018	2019	2020
No. of employees taking the leave	Male	2	3	2
	Female	75	49	61
No. of employees returning from the leave	Male	2	1	3
	Female	57	70	55
No. of employees remained for 12 months after the leave	Male	0	1	2
	Female	57	69	54
Return rate	Male	100.0	33.3	150.0
	Female	76.0	142.9	90.2
Retention rate	Male	0.0	100.0	66.7
	Female	100.0	99.0	98.2

Human Rights Management

Human Rights Policy

We respect the human rights of all our employees throughout the entire process of recruitment evaluation, compensation, and training in accordance with domestic and international laws and guidelines including Constitution and Labor Standards Act. It is renewed through the collective agreement with the labor union, which is reflected in the rules of employment. Our collective agreement is entered to create a reasonable working environment based on the Constitution, Labor Relations Act, and International Labor Organization (ILO). To this end, we established training programs and our employee grievance handling system to prevent any form of human rights violations including gender discrimination, harassment, and bullying. In case of any sexual harassment and bullying in our workplace, a committee is formed by equal number of members from labor union and management committee to handle the issue and protect the rights of victims through objective and fair procedures set forth in the guidelines.

Labor Union

Operation of Labor Union

NHIS supports and guarantees the Three Basic Labor Rights under the Constitution. The labor union was established in 1981, and as of the end of December 2020, 1,980 employees of NHIS who were eligible to join the union are members. Any employees who have not joined the union are subject to the same collective agreement, and the representatives of labor and management maintain close communication as they sign wage collective agreements with the labor union through official and informal channels of networks.

Labor Union Membership

(Unit: Person, %)

Category	2018	2019	2020
No. of employees eligible to join the labor union	2,050	2,040	1,980
No. of employees joined the labor union	2,050	2,040	1,980
Membership rate	100	100	100

Grievance Handling System

NHIS is diversifying its efforts to listen to employees and resolve their emotional grievances. We provide them with opportunities to communicate on their grievances through the “Communication and Empathy” section of the website. The website is operated as a direct communication channel between the CEO and the employees, and in 2020, 424 posts about grievances and inputs were shared. Furthermore, departments in charge of each topic post their own responses, improving the quality of communication channel. Our in-house HR management system “HRIS” helps employees get advice on their personal grievances from the manager of the HR Department.

Employee Human Rights Training Program

NHIS conducts mandatory human rights training program to employees every year as required by laws and regulations. The purpose of the training is to protect the rights and interests of employees, and raise awareness of human rights. The program includes prevention of bullying and sexual harassment in the workplace and awareness of disabilities.

Employee Human Rights Training Program

(Unit: Person)

Category	2018	2019	2020
Sexual harassment prevention training	2,849	3,056	3,043
Banning office bullying	-	3,045	2,948
Improving awareness of disabilities	-	2,990	3,137

Occupational Safety and Health

Employee Safety and Health

Employee Safety and Health

NHIS is committed to creating a safe working environment for its employees. As part of this effort, we provide financial support for health check-ups for our employees and their family members in partnership with fifty-seven hospitals across the country. In 2020, 5,105 employees and their family members were eligible for the program, and 4,325 of them, which accounts for 85%, completed the medical check-ups. Our employees are also covered by the group accident insurance in case of accidents and diseases that may occur during their employment.

Support for Health Check-up (Unit: Person)			
Category	2018	2019	2020
No. of employees completed health check-up	3,948 (2,668)	4,533 (2,806)	4,325 (2,823)

Occupational Safety and Health Practice (Unit: %)			
Category	2018	2019	2020
Occupational incident rate	0	0	0

Employee Safety and Health Assistance Program

Our employees and their family members benefit with a counselling program as part of the EAP (Employee Assistance Program). For a regular emotional care, we send EAP letters which contain useful information to manage mental and physical health to our employees every Friday, and for those who wish to book a consultation session, it is easy to make an online reservation and take a self-diagnosis through a dedicated website. Public lectures are held every quarter and a monthly newsletter column is published to help our employees recognize and adjust their emotional status and alleviate their stress level.

Types of Employee Mental Health Assistance Program

Category	Areas of assistance
Job-related issues	Conflicts in workplace, career development, time management, motivation, etc.
Psychological/emotional concern	Interpersonal relationships, emotional care, stress management, etc.
Family matters	Couples, marriage, raising children, etc.
Others	Financial management, legal advice, health management, etc.

EAP (Employee Assistance Program) Statistics

Category	2018	2019	2020
No. of emotion care counseling sessions	625	808	891
No. of participants	137	145	181
Level of satisfaction (out of 5)	4.3	4.5	4.7

Ethics and Compliance

Transparent Operation

Ethical Management Organization

The Ethical Management Committee is the top decision-making body that promotes ethical practice by raising awareness, assessing and making decisions on ethics policies. Chaired by the CEO, the committee is composed of executives in charge of Management Administration Division, the head of the Wealth Management Division, the head of the Corporate Strategy Group, the head of the HR Department, and the Compliance Officer. To support its operation, we established the Ethics Management Secretariat, supported by the Compliance Department under the supervision of the Compliance Officer. The Secretariat also promotes corporate-wide ethical practices by handling ethics training, the whistleblowing center, and evaluates the status of the company’s ethical management.

Fair Practice

NHIS is committed to promoting fair and transparent business practice, observing the procedures prescribed in the laws and regulations when it comes to executing contracts. We have introduced the electronic bidding system in 2015 which handles the process from bidding to payment. Also, we conduct evaluation based on strict standards in line with the contract practice company rules in partner company selection. The purchase of IT assets, which are sensitive intellectual properties, is made through “Pan-Nonghyup IT Integrated Purchase” operated by the National Agricultural Cooperative Federation. Any companies with our former employees (less than 3 years ago) are not qualified to bid on our project for fair contract practices.

Fair Competition

NHIS operates its business and engages in sales activities in compliance with laws and regulations as well as commercial practices in accordance with Article 15 (Compliance with Transaction Laws) and Article 16 (Pursuit of Free Competition) of the Code of Ethics. We also promote fair competition and mutual respect with peers while supporting the market order.

Internal and External Whistleblowing System

NHIS operates an internal/external whistleblowing 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. Reports are made through various channels including face-to-face interviews, mail, phone calls,

fax, and web report centers, and the reporter’s anonymity is protected. The compliance officer is in charge of the system, conducting fair and independent investigations on reports to prevent the escalation of cases and the destruction of evidences by those who committed the violations. If any disciplinary action is required, then the result is notified to the HR Department and the Auditing Department so that follow-up measures can be taken to protect the human rights of those involved. In the case caused by the company’s system, we take necessary actions to amend regulations and work process to prevent recurrence. In 2020, a total of five cases were reported, and three of them were identified as valid, leading to disciplinary actions against the relevant employees.

Internal and External Reporting Channels (Unit: Case, %)				
Category		2018	2019	2020
Internal	No. of reporting	4	3	5
	No. of handling*	2	1	2
	Handling rate	50	33	40
External	No. of reporting	14	15	17
	No. of handling**	3	3	3
	Handling rate	21	20	33

* No. of cases that are found to be valid, followed by measures taken against the employee

** Reports where investigations have been undertaken, e.g., violation of the Code of Conduct (other reports are based on complaints).

Violations of the Rules (Unit: Case)				
Category		2018	2019	2020
Related to program trading		4	0	5
Related to conflicts of interest		0	0	3
Related to order record maintenance		4	5	9
Related to unfair trade practices		1	0	0
Violation of financial transactions between employees, etc.		0	0	2
Others		0	0	9

The above is based on the “Warning from Compliance Officer” in case of minor violations of company rules.

Violations of the Laws

Date	Institutions	Category	Reason for measure	Measures	
2018	Mar. 7	Financial Services Commission (FSC)	Sector inspection by Financial Supervisory Services (FSS) (Sep. 2017)	Violation of the duty to confirm the information provided	Fine: KRW 6 million
	Dec. 20	FSC	Inspection by FSS (May. 2018)	Violation of the obligation to submit securities issuance report	Fine: KRW 7.5 million
2019	Jun. 26	FSC	Sector inspection by FSS (Sep. 2018)	Violation of the fiduciary duty of due care	Fine: KRW 18 million
	Nov. 6	FSC	Comprehensive inspection by FSS (Jun. 2018)	Violation of the prohibition on offering credit to affiliates of comprehensive financial investment business entity	Penalty: KRW 352 million
				Violation of the duty to submit a business report (KRW 4.8 million)	
				Violation of the prohibition on resale of underwritten securities (KRW 90 million)	Fine: KRW 114.8 million
				Violation of the prohibition on investment solicitation for subordinated bonds issued by its own or affiliates (KRW 20 million)	
				Violation of limit on credit granting	
2020	No violations				

Gift Return Center (Unit: Case)

Category	2018	2019	2020
No. of gifts returned	2	3	3
No. of gifts donated	1	0	0

Special Internal whistleblowing Period

At NHIS, we have a mandatory internal whistleblowing period twice a year, to promote a healthy organizational culture and foster integrity. To this end, the special internal whistleblowing period is designated to identify any cause of corruption in advance and resolve unfair practices as part of our efforts to raise awareness of ethics and compliance. In 2020, the special internal whistleblowing periods were organized three times to support ethical practice.

Special Internal Whistleblowing Period (Unit: Time)

Category	2018	2019	2020
Special insider report period	3	3	3

Transparent Business Practice

Ethics Training and Ethical Practice Awareness Programs

NHIS conducts employee ethics and compliance training using video content every Thursday. Employees watch 5-minute video clips along with quiz sessions so they can incorporate ethics

into their daily practices. Ethics and compliance training is also conducted on a regular basis (first and second half of the year) to raise ethics awareness and ensure compliance with laws and regulations. Furthermore, programs such as the “Ethical Management Campaign” and “Online Ethics & Compliance Golden Bell Quiz” were introduced to promote corporate-wide ethical operation and encourage employees to practice ethical behavior.

Ethics Training (Unit: Case)

Category		2018	2019	2020
Regular ethics & compliance training	All CM and team leaders	2	2	1
Training with external instructors	Personnel of relevant divisions	2	2	0
Occasional training	New employees, upon request, etc.	28	27	20

The above training includes only group training. Video lectures on ethics for all employees (40 times a year), Anti-money laundering training (once a year), Education on fair trade (once a year) were excluded

Ethics & Anti-Corruption Programs

Practicing ethical management and upholding anti-corruption manner to prevent any illegal practices that may arise in the course of the company’s sales activities are considered top priority due to the nature of financial business. All NHIS

employees are participating in the transparent management programs by submitting written oaths to practice ethics, to comply with compliance, to observe employee trading regulations, and to comply with the Improper Solicitation and Graft Act, in order to contribute to enhancing the corporate value and developing an ethical financial culture.

In addition, the heads of each division and group conduct an annual “Integrity Assessment for Executives” in order to set an example for ethical practice and employees directly evaluate their ethical awareness to prevent the risk of violations and corruption, and then take timely action when needed. Through the self-assessment of ethical awareness, our employees are able to identify the areas of improvement and establish action plans. November 2nd is remembered as the pan-NongHyup “Day of Ethical Management and Integrity”, with events being held to strengthen our determination to practice ethical management.

Anti-Corruption Monitoring System

In order to prevent financial incidents, NHIS has implemented internal control policies and compliance monitoring programs. Every year, the monitoring results are reported to the BOD, the Internal Control Committee, and NH Financial Group to strengthen the implementation of the internal control monitoring system. An inspection team in the Compliance Division monitors whether all departments and branch offices comply with regulations on a regular basis. We manage the risks of corruption through I-CON, the internal control comprehensive monitoring system, by randomly inspecting divisions and employees that are scaled to measure with a high level of risk.

Building Transparent Trust with Consumers

Principles of Consumer Fair Practice

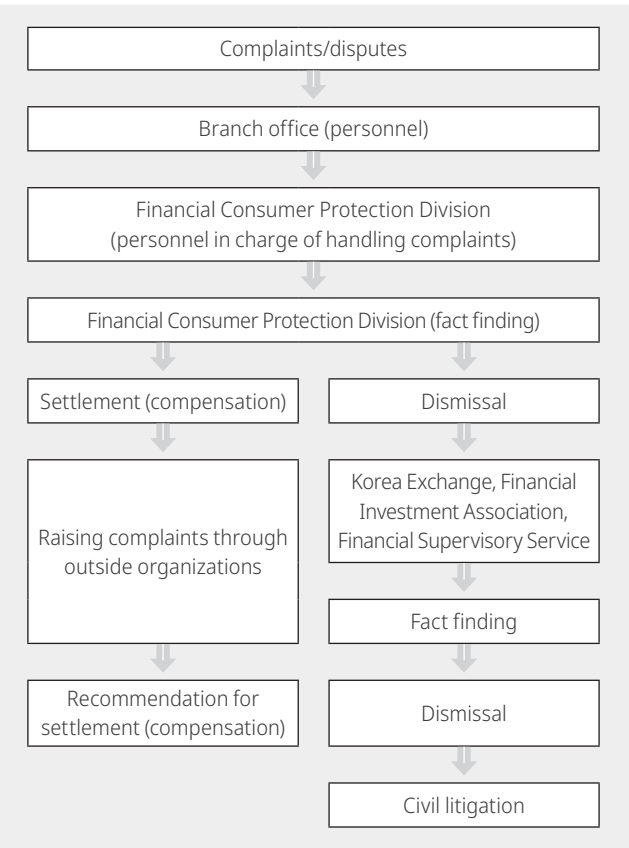
The Financial Consumer Protection Act (FCPA) was declared on March 24, 2020 and took effect on March 25, 2021. In line with the FCPA which applies strengthened consumer protection standards, NHIS has introduced new systems for reinforced compliance with the six principles for the sale of financial products, including the rights to withdraw subscriptions of financial products, the termination rights to terminate contracts of financial products if the seller has violated the Sales Principles without a reasonable excuse, and the rights to shift the burden of proof to financial companies in the event of a lawsuit concerning a breach of the “duty to explain”.

Consumer Compensation Organizations and Procedures

We have a team in charge of handling complaints and VOCs (Voice of Customers) under the Financial Consumer Protection Division. Complaints are reviewed to identify any violations of laws and

possibilities of compensation for damages, and the results are notified within fourteen business days. After the process, we proceed to resolve complaints through agreement with the client.

Complaint/Dispute Handling Procedures



VOC Handling (Unit: Case, %)

Category	2018	2019	2020
No. of cases submitted	18,920	19,521	23,789
No. of cases resolved	17,941	19,143	23,284
Percentage	94.80	98.10	97.86

Financial Cybercrimes and Fraud (Unit: Case)

Category	2018	2019	2020
No. of cases	0	0	0

Information Security

NHIS has an effective information protection system with the information protection team under the direct control of the CEO. The positions of CPO (Chief Privacy Officer), CIAP (Credit Information Administrator and Protector), and CISO (Chief Information Security Officer) that are responsible for consumer privacy and information protection were unified into the head of the Information Security Group to prevent security-related risks and build a system in response to the overall process, including detection and handling.

Since corporate information and client’s personal information are vulnerable to security breaches, we organized training programs to raise company-wide awareness of information protection, and a total of 2,980 employees participated in the training in 2020. The Information Security Division supports the “Clean Desk” campaign that inspects the office space during off hours to prevent security breaches that may occur throughout the work process. In 2020, we developed our expertise in response to security breaches by masking personal information and preventing duplicate files.

Information Protection Training (Unit: Person, Hour)			
Category	2018	2019	2020
No. of personal information protection training participants	2,806	2,938	2,980
Information protection training hours	-	18,522	18,261

Privacy and information security training organized by the Financial Security Agency

Clients’ Personal Information and Privacy Violations (Unit: Case)			
Category	2018	2019	2020
No. of cases of personal information and privacy violations	0	0	1

Privacy Certification

ISMS (Information Security Management System) is a comprehensive assessment and certification program for domestic information security systems. NHIS has acquired the certification in 2015, and continues to strengthen our information security and protection management by renewing the certification through an annual follow-up process. In 2020, we consulted for the enhancement of corporate-wide privacy management, and in 2021, we successfully obtained ISMS-P (Personal Information & Information Security Management System) certification.

Shared Growth

Partnership for Shared Growth

Transparent Cooperation

Recognizing our partner companies as partners for sustainable growth, we ensure transparency in our cooperation. As of the end of 2020, we are co-working with 34 registered companies and 321 companies, and sign the Pledge for Anti-Corruption with them to promote transparent and fair practice. Upon the signing of contracts, a survey with managers is conducted to ensure compliance with laws and procedures. There was no case of termination of contracts with partner companies due to corruption or violation of laws and regulations in the year.

Ethics and Privacy Protection Training for Partner Companies

We send out “CCO letters” to employees and partner companies in the first and second half of the year to encourage our partner companies to sign the Pledge for Anti-Corruption and join their efforts for ethical practice. We also provide ethics trainings to employees of the partner companies on an annual basis to promote ethical practices within the supply chain and foster privacy protection.

Contribution to Local Community

Shared Growth with Employees

NHIS is committed to supporting and working with its local communities to promote mutual growth and development. By maintaining our identity as a member of the Nonghyup Group, we are continuing our distinctive social contributions activities to drive sustainable growth of the agricultural industry and community, which serve as a foundation for national industries.

Social Contribution Group

NHIS has established the Social Contribution Group in the second half of 2011, under the auspices of the CEO to promote the culture of sharing and carry out various social contribution programs. Under the leadership of the group, forty-two in-house volunteer groups are actively involved, participating in support of the underprivileged with the funds raised by the company and employees. There is also a web community where our employees can share their social contribution activities to promote communication and engagement. In 2020, despite the pandemic and resulting difficulties, 5,610 of our employees devoted 27,881 hours to supporting our social contribution activities.

Social Contribution Activities				
Category		2018	2019	2020
Amount of social contribution	Donation for social contribution (KRW 100 million)	19	59	52
	Social contribution fund (KRW 100 million)	1.1	1.4	2.9
	No. of participants* (person)	5,773	5,820	5,610
Hours of participation* (hour)		31,705	31,291	27,881

* Accumulated

Angle Fund

With the goal of helping the socially vulnerable and children, we started the “Angel Fund” with NGO in 2005. Our employees may donate a certain amount of their salary each month to any Angel Fund programs they wish to support through the intranet. The company also contributed to the cause, raising KRW 230 million in 2020, and supported organizations such as Community Chest of Korea, Miral Welfare Foundation, and Korea Pediatric Cancer Foundation in order to improve health of the underprivileged, children and medically underdeveloped areas.

Angel Fund Support (Unit: KRW 10 million)			
Category	2018	2019	2020
Amount of the fund raised	15	15	23

Organizations Sponsored by Angel Fund (Unit: KRW million)		
Organizations	Remarks	Amount
Miral Welfare Foundation	Support for underfed children	60.0
Korea Pediatric Cancer Foundation	Medical expenses and financial support for children with cancerous diseases	50.0
Wonju Medical Cooperative Association	Health check-up and education support for rural areas with limited access to medical care	36.4
Total		146.4

Scholarship Program

Since 2005, NHIS has provided financial aids for the financially underprivileged through scholarship program. In 2017, we started offering more opportunities for students from rural areas. Every year, forty high-achieving high school students from low-income families who have fallen through the social welfare safety net, are selected for the scholarship, providing them with tuition, school expenses, and meals as well as KRW 2 million incentives for making up to the college. Furthermore, our employees serve as mentors and provide guidance to students on their school life and careers, forming lasting relationships to support them as they become contributing members of the society. As of 2020, a total of 622 students have been benefited by the program, and we will continue to support the youth so that they can lead our society to a brighter future.

Another Town

“Another Town” is one of NHIS’ major social contribution projects where we volunteer to help rural communities, provide practical supports for local projects, and open markets at which they can retail their agricultural products directly to consumers. In 2020, we visited Gongju, Chungcheongnam-do during the busy farming and harvesting seasons to lend a helping hand to the community. In addition to the corporate-wide volunteer activities, our employees also helped the rural community with which we formed sisterhood ties with. In 2020, the total numbers of volunteer activities were reduced to thirty-nine due to the pandemic, but the number of participants increased by 5% to 1,807.

Another Town Project

Category	2018	2019	2020
No. of villages	29	32	30
No. of volunteer activities	71	67	39*
No. of participants	1,721	1,661	1,807
Participation (%)	58	55	60

* The number of face-to-face volunteer activities were reduced due to COVID-19, but the number of participants increased.

Supporting Small and Medium-Sized Farms

NHIS is committed to supporting small and medium-sized farms along with the Startup Farm Support Center. In addition to promoting sales of financial products, we contribute to increasing the farm household income by introducing the situation of rural communities and the challenges they are faced with in order to help them. We are also taking advantages of our extensive online distribution channels such as crowdfunding and smart stores to support market development. Since 2017, we actively crowd-funded and selected farms in consideration of the funding amount, annual product supply capacity, and cooperation with farms. Starting with twenty-four farms in 2017, we have consistently increased number of farms with our support. Meanwhile, the amount of funding has increased every year. In 2020, we carried out 5,570 funding projects and achieved a success rate of 513%, and created the Naver Smart Store for the four selected farms to support their self-reliance. Going forward, we will continue to increase our support to help small and medium farmers develop competitive edges and build a platform where consumers can purchase high-quality agricultural products.

Crowdfunding to Support Small and Medium-Sized Farms

Category	2018	2019	2020
No. of farms supported	34	22	24
No. of funding projects	4,148	5,106	5,570
Target (KRW million)	35.0	44.5	43.5
Fund raised (KRW million)	121.6	182.7	223.0
Success rate (%)	347	411	513

Smart Stores Support for Small and Medium-Sized Farms

Category	2020
No. of farms supported	4
No. of funding projects	1,440
Target (KRW million)	11.0
Fund raised (KRW million)	62.6
Success rate (%)	570

Inclusive Finance

Investment Presentation for Clients

(Unit: Session, Person)

Category	2018	2019	2020
No. of investment presentations	7	11	N/A
Average participants	310	265	N/A

Maekyung Overseas Investment Forum, investment presentation for foreign bonds (Brazil/ Russia/Mexico, etc.), derivative-linked securities (ELS/DLS), and NH Research Forum are included but not organized in 2020 due to COVID-19.

Responsible Investment

Sales of NHIS “NongSarang” Products

Category	2018	2019	2020
Money trust (KRW trillion)	6.7	5.8	4.4
MMW (Money Market Wrap) account (KRW 100 million)	4,878	7,538	11,158
Derivative-linked products (KRW 100 million)	1,032	500	1,972

Raised and delivered up to KRW 500 million per year

Sales of CSR and ESG-themed Fund

(Unit: KRW 100 million)

Category	Sales in 2020
NH-Amundi Century Enterprise Green Korea Securities (Equity)	283
Korea Investment Management Credit Focus ESG Securities Feeder 1 (Bond)	35
Korea Investment Management e Short-term Bond ESG Fund (Bond)	24
Midas Responsible Investing Securities (Equity)	16

Only products with sales of KRW 1 billion or more are listed.

Results of Customer Satisfaction Survey

The KCSI (Korean Customer Satisfaction Index), organized by Korea Management Association Consulting since 1992, is a leading customer satisfaction index that evaluates and indicates the level of satisfaction and loyalty of clients who have used products and services. NHIS was ranked first in the securities sector for two consecutive years in 2018 and 2019. We were also selected as the top company in the securities-financial product sales sector in the NCSI (National Customer Satisfaction Index) by the Korea Productivity Center in 2018 and 2019. In 2020, we were ranked second in both surveys.

NCSI/KCSI Ranking

(Unit: Ranking)

Category	2018	2019	2020
NCSI (Securities sector)			
KCSI (Financial product sales sector)	1	1	2

Governance Part

BOD Committee Operation and Activities

BOD Committee Operation

NHIS has the Committee for Recommendation of Candidates for Directors, Auditing Committee, Compensation Committee, and Risk Management Committee under the BOD to promote sustainable growth and ensure an efficient decision-making process. At least one finance or accounting expert is appointed as a member of the Auditing Committee, and each committee is composed of directors with the experience and expertise needed to serve as a member.

BOD Activities (Unit: Case, Time, %)				
Category		2018	2019	2020
No. of items resolved		36	31	33
No. of items reported		30	34	43
No. of meetings		14	14	18
Attendance	Internal directors	89.3	92.9	100.0
	Outside directors	95.7	98.6	86.4
	Non-executive directors	92.9	88.0	100.0

Committee for Recommendation of Candidates for Directors

The Committee for Recommendation of Candidates for Directors is composed of four members including three outside directors, and it nominates candidates for the CEO, outside directors, and Auditing Committee members at the Annual Shareholders’ Meeting for appointment. The committee also reviews whether each candidate is qualified in terms of expertise and competency, appropriate for their respective roles, in accordance with a transparent and fair procedure.

Committee for Recommendation of Candidates for Directors Operation (Unit: Case, Time, %)				
Category		2018	2019	2020
No. of items resolved		6	4	12
No. of items reported		2	0	1
No. of meetings		5	3	7
Attendance	Internal directors	40.0	-	-
	Outside directors	100.0	100.0	88.0
	Non-executive directors	60.0	100.0	100.0

Auditing Committee

The Auditing Committee establishes and executes internal audit plans to evaluate and improve the company’s business performance. The company ensures two thirds of the members of Auditing Committee as outside directors to maintain its independence.

Auditing Committee Operation (Unit: Case, Time, %)				
Category		2018	2019	2020
No. of items resolved		16	14	12
No. of items reported		11	9	11
No. of meetings		8	8	5
Attendance	Internal directors	100.0	100.0	100.0
	Outside directors	100.0	100.0	100.0

Compensation Committee

The Compensation Committee reviews whether the company’s compensation structure is designed in consideration of related risk allocation and monitors the risk and the correlation between the compensation payment procedure, financial condition, and risk evaluation to promote financial stability and sustainable development. In order to intertwine risk management and financial performance, at least one member of the Risk Management Committee is required to serve as a member of the Compensation Committee.

Compensation Committee (Unit: Case, Time, %)				
Category		2018	2019	2020
No. of items resolved		5	5	5
No. of items reported		2	2	1
No. of meetings		6	4	4
Attendance	Internal directors	100.0	75.0	100.0
	Outside directors	100.0	100.0	100.0
	Non-executive director	83.3	100.0	100.0

Risk Management Committee

The Risk Management Committee is composed of three outside directors and one internal director with expertise in the fields of economics, finance, and risk management. The committee establishes, approves, comprehensively supervises and manages policies on various types of risks that may occur during the business operation. Specifically, the committee establishes the company-wide risk management policy in line with the management strategy and corporate’s risk appetite while determining loss limits and excess limits, as well as setting limits on corporate-wide risk capital and investment. Going forward, the committee will continue to improve the expertise of the members through arranging related training programs.

Risk Management Committee Operation (Unit: Case, Time, %)				
Category		2018	2019	2020
No. of items resolved		1	5	3
No. of items reported		6	10	8
No. of meetings		5	6	6
Attendance	Internal directors	100.0	100.0	100.0
	Outside directors	100.0	100.0	100.0

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Risk Management

Risk Management Policy

NHIS’ business activity is exposed to various financial risks; hence, the company is required to analyze and assess the level of complex risks, determine the level of risks to be accepted, and to actively manage the risks. NHIS’ risk management policy is set for improvement in the quality of assets held and investments by making a decision about how to avoid or mitigate risks through the identification of the cause of the potential risk and its scope. We ensure business operation under the systematic risk management to promote sound earnings and sustainable growth. In order to promote the importance of risk management, we conduct regulatory training for employees. In addition, market risks are monitored on a daily basis, and identified risks are analyzed and reported on a daily, weekly, and monthly basis. Also, NHIS considers the probability of failure in performing the obligation of its counterparties, credit exposure to the counterparty and the related default risk and the rate of default loss and we use the credit rating model to assess the possibility of counterparty’s default risk for credit risk management.

Risk Management Organization

NHIS operates an organization dedicated to overseeing risk management and an independently operated decision-making body to support its systematic risk management.

Category	Organization	Roles
Dedicated Risk Management Organization	Risk Management Group	Under the auspices of the CEO, the CRO (Chief Risk Officer) leads the group to reinforce the company’s risk managing through operation of risk management and supervision department, and credit assessment department.
	Risk Management Committee	As a BOD, the committee establishes frameworks and strategies as a top decision-making body
Decision-Making Body for Risk Management	Risk Management Council	Chaired by the CRO (Chief Risk Officer), the council makes decisions on working-level issues and items of risk management
	Investment Business Committee	The committee reviews investments and diverse transactions associated with credit risks

Risks and Opportunities

Increase in Overseas and Alternative Asset Investment

With the limitation on the growth in domestic portfolio and clients’ investment landscape changing, overseas and alternative investments have become selections that appeal to investors. As the market of overseas investment grow and number of structured products underlying overseas assets increase, NHIS has strengthened the Risk Management Group by reinforcing its personnel capable of assessing diverse and complex transactions. Furthermore, we are taking a proactive approach to stabilizing products structure and improving their credibility. In order to prevent excessive increase in product sales of overseas and alternative assets, we set and manage exposure limits by asset types and countries. Currently, we are working to create a management system that can systematically manage risks that the company is exposed by organizing a dedicated department for the assessment of alternative assets.

Increase in Financial Market volatility

Despite strengthened risk management, increase in market volatility due to a factor like COVID-19 may potentially expose the company with increased risks. One of the most vulnerable assets when volatility increases in the financial market is derivative products since they are uneasy to manage once major global indices fluctuate. When this happens, the entire company may face the liquidity crisis. Therefore, NHIS is taking a preemptive approach to managing ELS/DLS volumes of issuance according to the market conditions through the Issuance Council, a specialized risk management organization of the company. NHIS is also building a foundation for managing losses and risks in the crisis by improving the assessment model of derivatives products.

Increased Real Estate and PF Credit Risks

The real estate and project financing became new business markets of securities companies in recent years. However, growing credit risks in the market has the supervisory authorities to tighten regulations in the real estate market. NHIS sets a ceiling to regulate high-risk businesses such as real estate and PF related businesses, and the company actively consults with the NH Financial Group to set the volume of PF business limit. Currently, we have considerably a small exposure in real estate and PF compared to other comprehensive investment and securities companies. NHIS is also preparing for any possibilities of liquidity crisis by controlling the size of additional payment guarantees in the cases of increased volatility in the financial market. For the overseas alternative investment assets that may be exposed to foreign exchange and credit risks, we mainly invest in assets in developed countries with relatively low level of risk to prevent the spread of credit risk.

Risk Response Strategies

Financial Risk

Market Risk

Market risk is the risk of unexpected losses on financial investments caused by the market fluctuations of interest rates, stock prices, and foreign exchange rates. When interest rate fluctuates, it affects bond pricings and related earnings; stock market fluctuation has impacts on stocks and derivatives products related earnings. Volatility in foreign exchange rates has an overall impact on overseas assets and business. In order to manage the market risks, we use various risk management tools. NHIS also minimizes the possible distortion of profits and losses as well as risk measurements by monitoring derivatives products which is used for valuation and risk assessment.

Means of Risk Management	Description
VaR (Value at Risk)	A measure of the maximum losses for a certain period of time (1 day period) within the given level of credibility (99%)
Sensitivity analysis	An analysis of changes in value due to changes in market risk factors e.g., stock prices, interest rates, exchange rates, and volatility
Stress test	A measure of potential losses in case of exceptional events such as a market crisis

Credit Risk

Credit risk refers to the possibility of financial losses incurred when the counterparty fails to fulfill its contractual obligations. To manage credit risk, NHIS differentiates credit limits for each counterparty and credit rating. We vary decision-making process according to credit rating of counterparties and scale of transaction to improve quality of assets held. NHIS also measures the credit risk of assets exposed to risk, such as loans, investment securities, and derivatives, and set credit exposure limits for each counterparty, category, and book to deal with risks. In addition, NHIS strives to maintain the credit risk exposure to a permissible degree and to optimize the rate of return considering such credit risk and keeps a stringent review and approval procedure through credit rating assessment, monitoring of potential insolvency, and a series of follow-up procedures to enhance asset quality such as credit review. We have established a dedicated team to assess and monitor the appropriate credit line per obligor, company or industry, and it actively manages total exposures and loan portfolios when approving the loan.

Liquidity Risk

Liquidity risk refers to the risk that may affect the ability to meet financial obligations due to shortage of funds. To manage such risk, we set our assets and liabilities as risk managing subjects to daily monitor and analyze condition of the company’s liquidity and the level of stability in financial markets. Furthermore, treasury department and risk management department monitor company’s liquidity condition and formulate contingency plans to deal with any liquidity crises that may arise. Crisis situations are categorized into three levels - attention, caution, and emergency – depending on the condition of the company’s liquidity and the level of stability in financial markets.

Non-financial Risk

Operational Risk

Operational risk refers to economic losses caused by inappropriate or incorrect internal procedures, personnel, systems, and external events in the course of business operation. This includes losses due to error and/or inadequate work procedures and/or security violations involving information systems. NHIS is dedicated to minimize its operational risks by establishing ORMS (Operating Risk Management System). Each department has its own RM (Risk Manager) who manages and conducts daily and monthly RSA (Risk Self-Assessment) and manages KRI (Key Risk Indicator). RSA and KRI are regularly carried out to gauge the level of risks of concern each department faces, and if an indication of risk is detected, necessary countermeasures are proceed. NHIS also deals with potential operational risks by inspecting the risk levels of each department on a regular basis.

Environmental Risk

Environmental risk refers to the possible of losses that can arise in the process of reviewing and reaching agreement 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 environments.

ESG Risk

NHIS is taking a proactive approach in dealing with ESG risk, which is a globally rising concern lately. In order to apply the optimal standards for ESG risk management, we initiated training programs for employees to raise their awareness of ESG and have updated and revised the corporate regulations. By introducing the ESG standards of assessment to business and clients, we limit on industries that have negative social

and environmental impacts. NHIS is in process establishing a comprehensive review standard for client and business by assessing ESG-related disclosed data, experts referencing reports, and carrying out mandatory due diligence. For a long-term perspective, establishing such review and assessment process will become a step-stone towards ESG risk management, and applying ESG to corporate credit rating systems to identify the areas of assessment and improve the corporate credit rating system to support the development of ESG review and assessment model.

Building ESG-related Corporate Credit Rating System

Business Rating	Client Rating
Due diligence on investment overview, ESG sensitivity of investment subject, and reference to external reports → Review the ratings of businesses	Review on the environmental and social contribution, and disclosure data → Review the ratings of clients
Rate corporate credit based on client and business rating.	

2020 Risk Management Performance

Performance	Description
Supporting efficient asset distribution	· Comprehensive distribution of assets within the risk limit to support efficient allocation · Review of asset allocation strategy (asset concentration) in accordance with asset growth
Improving risk management procedure and system	· Review of major book risk monitoring system · Development of initial margin calculation and management system · Improvement of the timeliness of status report on the RWA (Risk-Weighted Assets)
Enhancing the expertise in assessing overseas and alternative investment assets	· Suggestions of deal structure stabilization and related activities · Systematization of deal assessment procedure and management · Improvement of capability and efficiency of credit assessment procedure
Establishing the administration assessment process and system	· Conducting periodical credit review for each theme · Analysis and regular rating of borrowers with low-rated exposure · Equity investment book review

BCP (Business Continuity Plan)

To prevent risks that are caused by IT system failures as well as risks arising from outbreaks of infectious diseases, and natural disasters such as fires, floods and earthquakes, NHIS has established and is operating a Business Continuity Plan (BCP). To ensure safety of employees and continuity of business operations, we operate an emergency planning committee in accordance with the BCP manual in case of an emergency to promote seamless business services.

Risk Management Plans

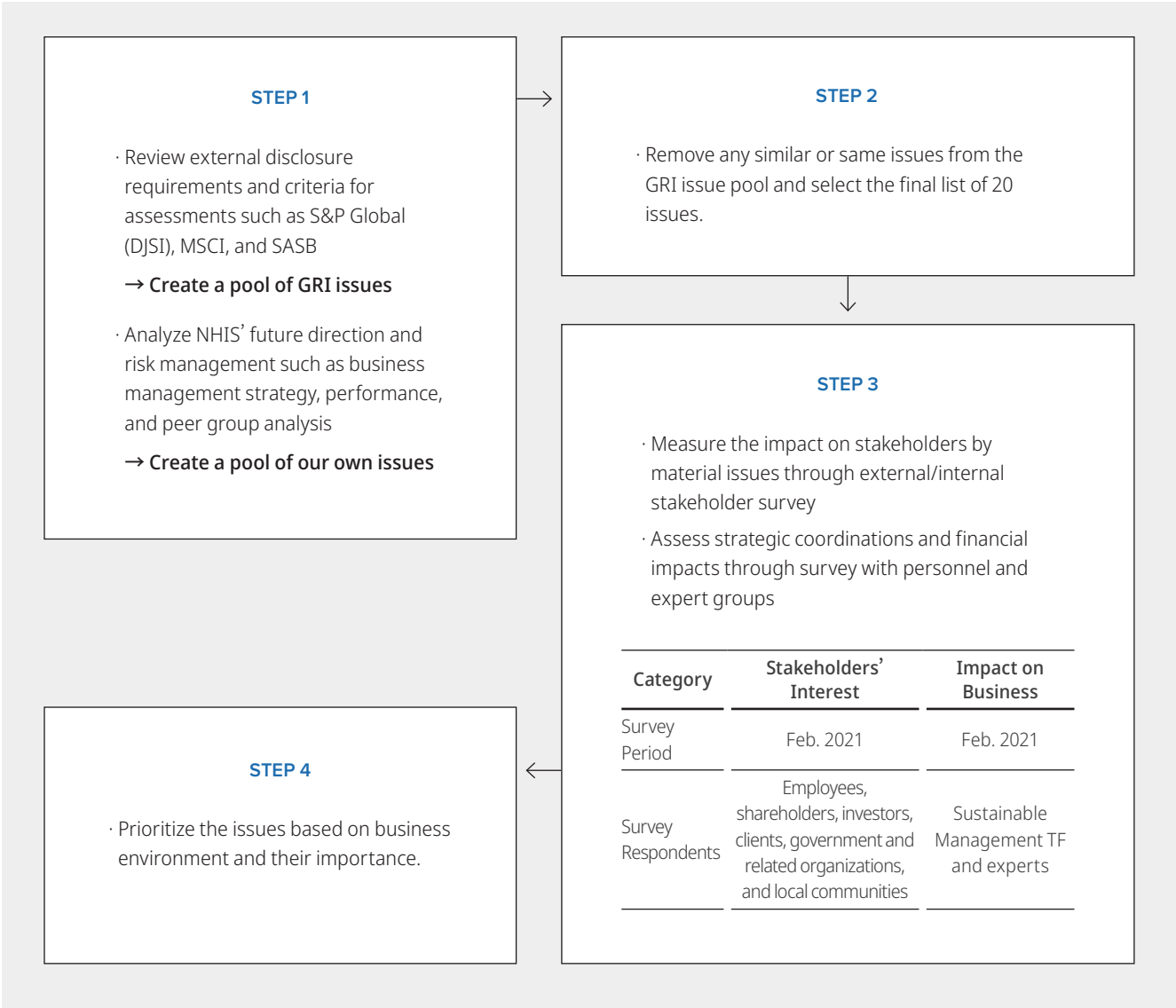
NHIS is committed to enhancing its risk management procedure and system to support stable and efficient business operation. In 2021, we plan on building our own electronic system in response to market and operational risks in compliance with Basel* III, which will be effective in 2023.

Areas of Risk Management	Activities
Allocation and adjustment of risk assets	· Regulatory review of soundness in allocation of risk assets and redistribute by business and book if necessary
Prevention of insolvency in credit risk assets	· Actively present measures to stabilize the deal structure of alternative investments during the review procedure · Conduct post-risk management process after selecting and expanding the assets for risk assessment by reflecting changes in the market environment through risk supervision department · Expand the source of overseas information and actively reflect acquired information in review
Improvement of risk management related electronic system	· Establish NHIS’ own electronic system that implements market and operational risk management system in preparation for Basel III which will be introduced by 2023

* Basel: Basel is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision (BCBS) in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks. Like all Basel Committee standards, Basel III standards are minimum requirements which apply to internationally active banks. Members are committed to implementing and applying standards in their jurisdictions within the time frame established by the Committee. It is implemented by 2013 and will be applied to all banks in member countries by 2023. South Korea also joined the agreement in 2009, and thus all domestic banks are subject to implement Basel III.

Materiality Assessment

NHIS analyzes its sustainability management issues that affect its business operation every year based on communications with its stakeholders. In this year, a materiality assessment has been conducted prior to the publication of the Integrated Report, selecting a pool of material issues and setting priorities for each issue as follows:



Financial Performance

Independent Auditor’s Report

The Shareholders and Board of Directors
NH Investment & Securities Co., Ltd. and its subsidiaries

Opinion

We have audited the consolidated financial statements of NH Investment & Securities Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards (“KIFRS”).

Basis for opinion

We conducted our audit in accordance with Korean Auditing Standards (“KGAAS”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 40 to the consolidated financial statements which describes that various prevention and control measures, including travel restrictions, are being implemented worldwide to prevent the spread of COVID-19, and as a result, the global economy is affected extensively. The duration and intensity thereof are not estimable. The Group has prepared the consolidated financial

statements for the year ended December 31, 2020 by reasonably estimating the impact of COVID-19. However, the ultimate impact therefrom on the Group’s consolidated financial position, consolidated financial performance, and consolidated cash flows is not estimable as of December 31, 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value assessment of financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivatives classified as Level 3 of fair value hierarchy

As discussed in Note 9.1 (Quantitative information on financial instruments classified as Level 3, such as valuation techniques, input variables and significant unobservable input variables) to the consolidated financial statements, the Group uses fair value estimates based on the observable level of input variables used in measuring the fair value of financial instruments and the input variable significance of all fair value measurements for classification as Level 1, 2 and 3. If inputs that are not observable used in measuring the fair value of financial instruments are significant, the instruments are classified as Level 3.

The Group uses a variety of evaluation techniques and variables for financial instruments classified as fair value Level 3 in Note 9.1 (Sensitivity analysis results based on changes in significant unobservable input variables) and Note 9.1 (Quantitative information on financial instruments classified as Level 3, such as valuation techniques, input variables and significant unobservable input variables). There exists uncertainty in the accounting estimates because the measurement results are significantly different depending on how management determines the valuation techniques and input variables that are not observable. Therefore, the auditor determined the

measurement of fair value of financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivatives classified as Level 3 of fair value hierarchy as the key audit matter because auditor’s significant attention was required.

Financial instruments which are classified as Level 3 as of December 31, 2020 - financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivatives assets, financial liabilities at fair value through profit or loss and derivatives liabilities – are ₩5,277,636 million, ₩493,831 million, ₩235,417 million, ₩8,362,160 million and ₩219,371 million respectively. The main audit procedures we have conducted on management’s fair value assessment of Level 3 financial instruments which are financial instruments at fair value through profit or loss, financial assets at fair value through other comprehensive income, and derivatives, are as follows

- Evaluate whether the fair value level classification is appropriate based on the characteristics of significant variables in the fair value measurement
- Examine whether the evaluation techniques of financial instruments selected by management is widely used in the market
- Conduct sampling for the derivatives owned by the Group and recalculate them independently and review the differences by involving internal experts
- Conduct sampling for the issuance information input by the Group into the fair value assessment system of derivatives and check whether they match with the issuance information on the contract
- Examine for the competence and independence of external experts involved by the Group
- Review the assumptions and estimates used by the external experts such as future cash flows, discount rate, and selection of similar companies, and conduct inquiries with the external experts in written form
- Evaluate the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting related to fair value measurement

Determine the scope of consolidation for the structured entities

As discussed in Note 1.2 (Subsidiaries) to the consolidated financial statements, the Group provides a variety of contractual arrangements for structured entities by offering credit, liquidity, etc. to the asset securitization companies or participating in investment funds to manage and operate fund assets, etc. Management determines the inclusion of the structured entities in the consolidation scope of the Group by considering its power over the structured entities; exposure, or rights, to variable returns from its involvement with the structured entities and the

ability to use its power to affect its returns.

Since the structured entity is designed so that voting or similar rights are not the dominant factor in deciding who controls the activities of the entity, management should understand the purpose and design of the structured entity and review the impact of various terms and conditions set out in the agreement on the control in determining the scope of consolidation. In other words, as the scope of consolidation is determined based on management’s subjective judgment on control, the determination of scope of consolidation is identified as a key audit matter.

As of December 31, 2020, the Group has 33 structured entities in consolidation. The major audit procedures performed by us on the management’s determination of the scope of consolidation of the structured entities are as follows.

- Identify the purpose and design of the structured entity and review the judgement of the related activities
- Evaluate independently on the management’s judgment of control (power over the structured entities; exposure or rights to variable returns from the involvement with the structured entities and the ability to use power to affect the returns)
- Review the data presented by the Group during the audit and check whether any information is missing from the management’s judgment on the consolidation of structured entities
- Examine whether any facts and circumstances have changed in relation to the power over the structured entities; exposure or rights to variable returns from the involvement with the structured entities and the ability to use the power to affect the returns
- Evaluate the effectiveness of the design and operation of the Company’s Internal Control over Financial Reporting in relation to the determination of the scope of consolidation

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with KIFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KGAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KGAAS we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Jong sun Lee.

March 5, 2021

Ernst & Young Han Young

This audit report is effective as of March 5, 2021, the independent auditor’s report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor’s report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Financial Performance

Consolidated Financial Statements

as of December 31, 2020, 2019 and 2018

2020: from January 1, 2020 to December 31, 2020
2019: from January 1, 2019 to December 31, 2019
2018: from January 1, 2018 to December 31, 2018

Consolidated Statements of Financial Position

NH Investment & Securities Co., Ltd. And its subsidiaries					(Unit: KRW million)
Description	2020	2019	2018		
Asset					
Cash and cash equivalents	1,212,647	996,123	637,714		
Financial assets at fair value through profit or loss	38,964,992	32,663,997	36,357,329		
Derivative assets (hedging)	4,503	2,207	3,229		
Financial assets at fair value through other comprehensive income	5,423,596	4,135,531	3,524,221		
Financial assets at amortized cost, net	16,200,741	11,617,742	12,240,692		
Investments in associates	310,244	149,430	75,296		
Property and equipment, net	139,621	126,205	296,788		
Investment properties, net	53,036	55,621	51,129		
Intangible assets, net	56,825	58,040	17,365		
Right-of-use assets	73,808	42,176	-		
Current tax assets	9,711	4,965	28,493		
Deferred tax assets	33,182	1,665	14,368		
Other assets	255,527	221,350	175,948		
Total assets	62,738,433	50,075,052	53,422,572		
Liabilities					
Deposits due to customers	7,027,024	4,338,343	4,045,450		
Financial liabilities at fair value through profit or loss	14,348,698	17,300,812	22,692,593		
Derivative liabilities (hedging)	5,579	4,324	3,722		
Borrowings	23,757,331	17,552,720	15,607,391		
Debentures	3,305,868	2,669,925	3,825,699		
Other financial liabilities	7,967,412	2,638,373	2,060,178		
Provisions	262,208	28,511	18,444		
Current tax liabilities	130,231	26,116	-		
Deferred tax liabilities	4,220	18,035	-		
Other liabilities	126,988	105,808	115,292		
Total liabilities	56,935,559	44,682,967	48,368,769		

Consolidated Statements of Financial Position

NH Investment & Securities Co., Ltd. And its subsidiaries					(Unit: KRW million)	
Description	2020		2019		2018	
Equity						
Equity attributable to equity holders of the parent						
Capital stock	1,531,275		1,531,275		1,531,275	
Capital surplus	1,520,120		1,519,983		1,516,744	
Other components of equity	164,622		176,433		167,118	
Retained earnings (The beginning balances of regulatory reserve for credit loss as of December 31, 2020 and 2019, were ₩74,642 million and ₩62,696 million, respectively. The amounts estimated to be transferred into reserve as of December 31, 2020 and 2019, were ₩4,251 million and ₩11,946 million, respectively)	2,581,705		2,157,388		1,832,480	
		5,797,722		5,385,079		5,047,617
Non-controlling interest		5,152		7,006		6,186
Total equity		5,802,874		5,392,085		5,053,803
Total liabilities and equity		62,738,433		50,075,052		53,422,572

Consolidated Statements of Profit or Loss and Other Comprehensive Income

NH Investment & Securities Co., Ltd. And its subsidiaries					(Unit: KRW million)	
Description	2020		2019		2018	
Operating revenue						
Fee and commission income	1,193,290		789,694		778,932	
Gain on financial instruments at fair value through profit or loss	9,475,362		9,129,340		7,171,502	
Gain on financial assets at fair value through other comprehensive income	26,639		22,251		3,941	
Gain on valuation and disposal of derivative instruments (hedging)	2,314		3,400		4,018	
Interest income	981,684		1,049,244		982,647	
Interest income calculated using the effective interest method	458,151		509,520		473,397	
Interest income on financial instruments at fair value through profit or loss	523,533		539,724		509,250	
Gain on financial assets at amortized cost	35,453		5,364		1,494	
Gain on disposal of financial assets at amortized cost	32,137		-		-	
Reversal of provisions for credit losses on financial assets at amortized cost	3,316		5,364		1,494	
Gain on foreign exchange transaction	756,465		269,857		159,283	
Other operating revenue	296,615		234,395		139,531	
		12,767,822		11,503,545		9,241,348
Operational expenses						
Fee and commission expense	168,230		191,473		139,641	
Loss on financial instruments at fair value through profit or loss	9,324,222		9,103,098		7,209,070	
Loss on financial assets at fair value through other comprehensive income	8,654		4,575		8,443	
Loss on valuation and disposal of derivative instruments (hedging)	46		7,454		8,512	
Interest expense	285,658		414,222		343,378	
Loss on financial assets at amortized cost	145,654		72,522		30,823	
Loss on disposal of financial assets at amortized cost	544		-		87	
Non-recoverable expenses on financial assets at amortized cost	145,110		72,522		30,736	
Loss on foreign exchange transaction	889,049		289,594		256,413	
General and administrative expenses	893,608		811,916		691,485	
Other operating expenses	265,450		33,304		13,439	
		11,980,571		10,928,158		8,701,204
Operating income		787,251		575,387		540,144
Non-operating income		57,024		97,205		11,778
Non-operating expenses		55,160		39,375		47,157

Consolidated Statements of Profit or Loss and Other Comprehensive Income

NH Investment & Securities Co., Ltd. And its subsidiaries						(Unit: KRW million)
Descriptions	2020		2019		2018	
Net income before income tax expense		789,115		633,217		504,765
Income tax expense		212,237		156,839		143,292
Net income		576,878		476,378		361,473
Net profit attributable to the equity holders of the parent (adjusted profit after regulatory reserves for credit loss for the years ended December 31, 2020, 2019 and 2018, amounted to ₩572,721 million, ₩463,571 million and ₩360,750 million, respectively.)	576,971		475,517		360,862	
Net profit (loss) attributable to the non-controlling interests	(93)		861		611	
Other comprehensive income (loss), net of tax						
Items subsequently reclassified to net profit						
Loss on valuation of financial assets at FVOCI (Debt securities)	(434)		(301)		14,213	
Gain on valuation of investment using equity method	-		433		(152)	
Gain (Loss) on valuation of derivative instruments (hedging)	323		(2,978)		(10,293)	
Gain (Loss) on overseas business translation	(40,186)		18,204		14,967	
Other comprehensive income (loss) attributable to the non-controlling interests	(433)		(41)		-	
	(40,730)		15,317		18,735	
Items not subsequently reclassified to net profit						
Gain on valuation of financial assets at FVOCI (Equity securities)	39,369		11,329		6,541	
Adjustment of credit risk of financial liabilities measured at FVTPL	2,000		(9,544)		7,949	
Loss on valuation of derivative instruments (hedging)	(1,290)		(601)		(1,938)	
Remeasurement of the defined benefit plan	(11,593)		(7,227)		(3,051)	
	28,486		(6,043)		9,501	
Total other comprehensive income (loss)		(12,244)		9,274		28,236
Total comprehensive income		564,634		485,652		389,709
Comprehensive income attributable to the equity holders of the parent	565,161		484,832		385,946	
Comprehensive income attributable to the non-controlling interests	(527)		820		3,763	
Basic earnings per share		KRW 1,923		KRW 1,585		KRW 1,203
Diluted earnings per share		KRW 1,923		KRW 1,585		KRW 1,203
Basic earnings per share (preferred stock)		KRW 1,973		KRW 1,635		KRW 1,253

Consolidated Statements of Changes in Equity

NH Investment & Securities Co., Ltd. And its subsidiaries						(Unit: KRW million)	
Description	Capital stock	Capital surplus	Other components of equity	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2018	1,531,275	1,518,635	167,129	1,613,561	4,830,600	5,607	4,836,207
Effect of adoption of new accounting standards	-	-	(25,095)	8,703	(16,392)	-	(16,392)
Balance at January 1, 2018 (restated)	1,531,275	1,518,635	142,034	1,622,264	4,814,208	5,607	4,819,815
Dividend paid	-	-	-	(150,610)	(150,610)	-	(150,610)
Total	1,531,275	1,518,635	142,034	1,471,654	4,663,598	5,607	4,669,205
Total comprehensive income							
Net income	-	-	-	360,862	360,862	611	361,473
Gain on valuation of financial assets at FVOCI	-	-	20,754	-	20,754	-	20,754
Gain on changes in credit risk of financial liabilities at FVTP	-	-	7,949	-	7,949	-	7,949
Loss on valuation of investment using equity method	-	-	(152)	-	(152)	-	(152)
Remeasurement of the defined benefit plan	-	-	(3,051)	-	(3,051)	-	(3,051)
Loss on valuation of derivative instruments	-	-	(12,231)	-	(12,231)	-	(12,231)
Gain (Loss) on overseas business translation	-	-	11,815	-	11,815	3,152	14,967
Equity changes in subsidiaries	-	(1,891)	-	(36)	(1,927)	(3,184)	(5,111)
Balance at December 31, 2018	1,531,275	1,516,744	167,118	1,832,480	5,047,617	6,186	5,053,803
Balance at January 1, 2019	1,531,275	1,516,744	167,118	1,832,480	5,047,617	6,186	5,053,803
Dividend paid	-	-	-	(150,609)	(150,609)	-	(150,609)
	1,531,275	1,516,744	167,118	1,681,871	4,897,008	6,186	4,903,194
Total comprehensive income:							
Net income	-	-	-	475,517	475,517	861	476,378
Gain on valuation of financial assets at FVOCI	-	-	11,028	-	11,028	-	11,028
Loss on changes in credit risk of financial liabilities at FVTPL	-	-	(9,544)	-	(9,544)	-	(9,544)
Gain on valuation of investment using equity method	-	-	433	-	433	-	433
Remeasurement of the defined benefit plan	-	-	(7,227)	-	(7,227)	-	(7,227)
Loss on valuation of derivative instruments	-	-	(3,579)	-	(3,579)	-	(3,579)
Gain (Loss) on overseas business transaction	-	-	18,204	-	18,204	(41)	18,163
Changes in capital surplus	-	(443)	-	-	(443)	-	(443)
Equity changes in investment using equity method	-	(452)	-	-	(452)	-	(452)
Acquisition of treasury stock	-	(1)	-	-	(1)	-	(1)
Disposal of treasury stock	-	4,135	-	-	4,135	-	4,135
Balance at December 31, 2019	1,531,275	1,519,983	176,433	2,157,388	5,385,079	7,006	5,392,085

Consolidated Statements of Changes in Equity

NH Investment & Securities Co., Ltd. And its subsidiaries							(Unit: KRW million)
Description	Capital stock	Capital surplus	Other components of equity	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2020	1,531,275	1,519,983	176,433	2,157,388	5,385,079	7,006	5,392,085
Dividend paid	-	-	-	(150,742)	(150,742)	-	(150,742)
	1,531,275	1,519,983	176,433	2,006,646	5,234,337	7,006	5,241,343
Total comprehensive income:							
Net income	-	-	-	576,971	576,971	(93)	576,878
Gain on valuation of financial assets at FVOCI	-	-	38,936	-	38,936	-	38,936
Gain on changes in credit risk of financial liabilities at FVTPL	-	-	2,000	-	2,000	-	2,000
Remeasurement of the defined benefit plan	-	-	(11,593)	-	(11,593)	-	(11,593)
Loss on valuation of derivative instruments	-	-	(967)	-	(967)	-	(967)
Loss on overseas business translation	-	-	(40,187)	-	(40,187)	(433)	(40,620)
Changes in capital surplus	-	-	-	(1,912)	(1,912)	-	(1,912)
Equity changes in investment using equity method	-	137	-	-	137	(1,328)	(1,191)
Balance at December 31, 2020	1,531,275	1,520,120	164,622	2,581,705	5,797,722	5,152	5,802,874

Consolidated Statements of Cash Flows

NH Investment & Securities Co., Ltd. And its subsidiaries						(Unit: KRW million)
Description	2020		2019		2018	
Cash flows from operating activities						
Net income before income taxes	789,115		633,217		504,765	
Other adjustments to reconcile net income to net cash provided by (used in) operating activities	(709,419)		(815,429)		(589,930)	
Changes in operating assets and liabilities	(5,388,309)		(431,363)		(2,152,129)	
Interest income received	981,437		1,047,176		934,242	
Interest expenses paid	(224,448)		(376,917)		(313,884)	
Dividend received	67,892		87,291		117,107	
Income taxes paid	(173,892)		(76,361)		(95,647)	
Net cash flows provided by (used in) operating activities		(4,657,624)		67,614		(1,595,476)
Cash flows from investing activities						
Cash inflows						
Disposal of financial assets at FVOCI	3,947,714		3,287,221		3,519,614	
Disposal of investments in associates	9,301		14,979		24,504	
Net cash inflows due to changes in consolidation scope	38,511		0		0	
End of derivative instruments (hedging)	48,609		67,096		86,481	
Decrease in deposits	6,669		6,709		5,891	
Disposal of property and equipment	1,473		249,719		384	
Disposal of intangible assets	2,158		150		2,584	
	4,054,435		3,625,874		3,639,458	
Cash outflows						
Acquisition of financial assets at FVOCI	(5,698,531)		(3,856,618)		(2,506,022)	
Acquisition of investments in associates	(62,265)		(88,848)		(49,550)	
End of derivative instruments (hedging)	(46,845)		(68,919)		(101,086)	
Increase in deposits	(6,877)		(6,508)		(5,726)	
Acquisition of property and equipment and investment properties	(28,666)		(18,176)		(16,530)	
Acquisition of intangible assets	(1,679)		(42,267)		(293)	
	(5,844,863)		(4,081,336)		(2,679,207)	
Net cash flows provided by(used in) investing activities		(1,790,428)		(455,462)		960,251

Consolidated Statements of Cash Flows

NH Investment & Securities Co., Ltd. And its subsidiaries					(Unit: KRW million)	
Description	2020		2019		2018	
Cash flow from financing activities						
Cash inflows						
Increase in borrowings	1,787,877,766		1,549,997,163		1,325,991,416	
Increase in debentures	49,234,820		20,814,270		72,138,132	
Increase in deposits received	251		1,175		289	
Disposal of treasury stock	-		2		-	
Increase in non-controlling liabilities	-		181,469		-	
	1,837,112,837		1,570,994,079		1,398,129,837	
Cash outflows						
Decrease in borrowings	(1,781,570,869)		(1,548,063,676)		(1,325,400,377)	
Decrease in debentures	(48,615,000)		(21,999,000)		(71,847,600)	
Decrease in lease liabilities	(27,614)		(16,626)		-	
Decrease in deposits received	(421)		(210)		(716)	
Decrease in non-controlling liabilities	(68,450)		-		-	
Decrease in non-controlling interests	(1,328)		-		-	
End of derivative instruments (hedging)	-		(155)		(1,221)	
Dividend paid	(150,742)		(150,610)		(150,610)	
Acquisition of treasury stock	-		(1)		-	
	(1,830,434,424)		(1,570,230,278)		(1,397,400,524)	
Net cash flows provided by financing activities		6,678,413		763,801		729,313
Net increase in cash and cash equivalents		230,361		375,953		94,088
Effect of exchange rate changes on cash and cash equivalents		(13,837)		(17,544)		(53,485)
Cash and cash equivalents at the beginning of the year		996,123		637,714		597,111
Cash and cash equivalents at the end of the year		1,212,647		996,123		637,714

External Audit Report

NHIS hereby attaches the following external audit report in accordance with the provisions of Article 18 (3) of the Act on External Audit of Stock Companies.

1. Areas of Audit

Company	NH Investment & Securities and its subsidiaries
Period	January 1, 2020 - December 31, 2020

2. Audit Participants and Period

Participants \\No. of Audit Participants and Hours	Quality Management Reviewer (review office, etc.)		Accountant Responsible for Audit						Expert in Electronic Audit, Accounting, Valuation, etc.		Expert in Order such as Construction Contract		Total	
			Director (executive director)		Registered Accountant		Training Accountant							
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
No. of Participants	8	7	1	2	10	6	3	3	22	13	-	-	44	31
Input Hour	Quarterly & Half-yearly Review	135	90	160	197	2,892	2,107	710	762	12	-	-	3,909	3,156
	Audit	161	156	100	265	2,930	3,054	1,129	1,446	1,079	1,066	-	5,399	5,987
	Total	296	246	260	462	5,822	5,161	1,839	2,208	1,091	1,066	-	9,308	9,143

3. Key Audit Details

Category	Details				
Overall Audit Plan (preliminary stage)	Date	June. 8-12, 2020			5 days
	Description	Identify and assess the risk of material misstatement, business team composition, utilization of experts, understanding of enterprise-level control, significant accounts and disclosure, making decisions on establishing and executing audit plan			
On-site Audit	Date	Input			Major audit results
			Full-time	Part-time	
	Aug. 18 - Sep. 4, 2020 Dec. 7 - 18, 2020	24 days	8 persons	13 persons	Interim audit Review of internal audit management system
	Jan. 13 - 22, 2021	8 days	8 persons	10 persons	Year-end audit
Inventory Asset Due Diligence (in presence)	Time	-	-		days
	Location	-			
	Target	-			

Financial Asset Due Diligence (in presence)	Time	Jan. 2, 2021				1	days
	Location	NHIS HQ					
	Target	Securities, membership, notes, etc.					
External Inquiry	Financial transaction inquiry	O	Bond/liabilities		O	Attorney	O
	Other inquiry	-					
Communication with Governing Organization	No. of communication sessions	4 times					
	Date	Apr. 23, 2020 Jul. 23, 2020 Oct. 26, 2020 Feb. 25, 2021					
External Experts	Audit activities	-					
	Date	-					days

4. Communication with the Auditing Committee

Category	Date	Participants	Type	Major Agenda
1	Apr. 23, 2020	Members of the Auditing Committee and external audit team	Face-to-face meeting	Result of 2020 Q1 review
2	Jul. 23, 2020	Members of the Auditing Committee and external audit team	Face-to-face meeting	Result of 2020 H1 review
3	Oct. 26, 2020	Members of the Auditing Committee and external audit team	Face-to-face meeting	Result of 2020 Q3 review
4	Feb. 25, 2021	Members of the Auditing Committee and external audit team	Face-to-face meeting	Result of 2020 year-end review

Stakeholder Communication Channels

NHIS identifies its internal and external stakeholders who impact on sustainable business activities into five groups and manages various communication channels that fit the characteristics and preferences of groups. We strive to reflect the material issues identified through these channels in our business practices.

Stakeholder	Communication Channels	Frequency	Material Issues	Actions Taken
Shareholders & Investors	Website	Year-round	· Profit structure, dividend policy · Enhancement of stock value · Investor protection · Efficient corporate management · Distribution of profits · Corporate governance	· Regular risk assessments and adjustments · Market exploration and portfolio enhancement · Transparent management disclosures · Review of management’s performance evaluation and compensation policy
	IR Activities	Year-round		
	General Meeting of Shareholders	Once a year		
	Public Disclosure	Year-round		
	Periodic Reports	Quarterly		
Government and Related Agencies	Press releases	Year-round	· Stable growth of financial markets · Tax obligation · Compliance with laws and regulations · Participation in government policies	· Regular compliance monitoring and reporting · Tax payment · Ethical management training
	Meetings & conferences	Year-round		
	Policy proposal	Year-round		
Clients (Corporate/ Individual)	Website & Social Media	Year-round	· Market-leading financial products · Accurate financial information · Convenient services · Client personal information protection · Handling complaints	· Improvement of IT platform and digital services · Improvement of the grievance handling procedure · Development of financial products and services tailored to clients · Development and facilitation of communication channels
	Client Satisfaction Survey	If necessary		
	Voice of Clients	Year-round		
	Investment Presentation	Frequently		
	Centenarian Academy	Monthly		
	Centenarian Life College	Twice a year		
	Sales Counter at Branches	Year-round		
Employees & Labor Union	Employee Survey	As needed	· Work-life balance · Welfare system · Expertise and talent development · Fair evaluation and compensation · Horizontal communication	· Development of bespoke programs to strengthen capabilities · Corporate culture innovation · Various welfare benefits
	Employee Meeting	As needed		
	Labor-Management Council	Quarterly		
	Intranet	Year-round		
	Organizational Culture Campaign	Monthly		
Local Communities	Volunteer Groups	Year-round	· Investment in local communities, job creation · Social contribution activities	· Volunteering in under-resourced rural communities · Donations, scholarships
	Another Town	Year-round		
	Website & Social Media	Year-round		

GRI Standards Index

Category	Disclosure	Indicators	Page
Organizational Profile	102-1	Name of the organization	16-21
	102-2	Activities, brands, products, and services	
	102-3	Location of headquarter	
	102-4	Number of countries where the organization operates, and the names of countries	
	102-5	Ownership and legal form	
	102-6	Markets served	
	102-7	Scale of the organization	
	102-8	Information on employees and other workers	66
	102-9	Supply chain	36-37
	102-10	Significant changes to the organization and its supply chain	16-35
	102-11	Precautionary Principle or approach	81-83
	102-12	External initiatives	103-109, 113-115
	102-13	Membership of associations	
Strategy	102-14	Statement from senior decision-maker	10-13
	102-15	Key impacts, risks, and opportunities	81-83
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	71-73
	102-17	Mechanisms for advice and concerns about ethics	
Governance	102-18	Governance structure	34-35, 78-79
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	102-28	Evaluating the highest governance body’s performance	35
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Stakeholder Engagement	102-40	List of stakeholder groups	99
	102-41	Collective bargaining agreements	69
	102-42	Identifying and selecting stakeholders	84-85, 99
	102-43	Approach to stakeholder engagement	
	102-44	Key topics and concerns raised	
Reporting Practice	102-45	Entities included in the consolidated financial statements	89-96
	102-46	Defining report content and topic boundaries	84-85
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	102-49	Changes in reporting	
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Category	Disclosure	Indicators	Page
Reporting Practice	102-52	Reporting cycle	About This Report
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	103-3	Evaluation of the management approach	
Economic Performance	201-1	Direct economic value generated and distributed	89-96
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Anti-Corruption	205-2	Communication and training about anti-corruption policies and procedures	71-73
	205-3	Confirmed incidents of corruption and actions taken	
Energy	302-1	Energy consumption within the organization	65
	302-2	Energy consumption outside of the organization	
Water and Effluents	303-1	Water withdrawal by source	
	305-1	Direct (Scope 1) GHG emissions	
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Employment	401-1	New hires and employee turnover	66-69
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3	Parental leave	
Training and Education	404-1	Average hours of training per year per employee	
	404-2	Programs for upgrading employee skills and transition assistance programs	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	34, 66
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	75-76
Marketing and Labeling	417-3	Incidents of non-compliance concerning marketing communications	71-73
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Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	72

Category	Disclosure	Indicators	Page
Financial Service Sector Supplement			
Financial Service Sector Specific Disclosure on Management Approach	FS1	Policies with specific environmental and social components applied to business lines	81-83
	FS2	Procedures for assessing and screening environmental and social risks in business lines	
	FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	
	FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	52-53, 71-74
	FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	74, 82-83
Financial Services Sector Specific Performance Indicator	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	56, 77
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	
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Society Performance Indicators	FS13	Access points in low-populated or economically disadvantaged areas by type	60-61, 63
	FS14	Initiatives to improve access to financial services for disadvantaged people	
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Product Responsibility Performance Disclosures	FS15	Policies for the fair design and sale of financial products and services	48-50
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Product Responsibility Performance Indicators	FS16	Initiatives to enhance financial literacy by type of beneficiary	50-51, 77

SASB (Sustainability Accounting Standards Board)



Employee Diversity & Inclusion

Code	FN-IB-330a.1
Accounting Metric	Percentage of gender and racial/ethnic group representation for: (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees
Unit	%
Response from NHIS	At NHIS, we do not tolerate any discrimination in our hiring and/or performance evaluation procedure. On pages 66-67, we disclose diversity indicators including gender and the number of socially disadvantaged employees, as well as our policies and initiatives on this matter in details.

Incorporation of ESG Factors

Code	FN-IB-410a.1		
Accounting Metric	Revenues from (1) underwriting, (2) advisory, and (3) securitization transactions incorporating integration of environmental, social, and governance (ESG) factors, by industry		
Unit	(1) Number of products, (2) KRW million		
Response from NHIS	Category		No. of Products (amount)
	Green Finance	Collective investment securities (equity type)	2(3,029)
		Collective investment securities (others)	9(148,139)
		Foreign currency securities	1(708)
		Other securities	24(65,391)
		Beneficiary certificates	10(193,085)
	Social Responsibility	Collective investment securities (equity type)	1(1,230)
		Collective investment securities (others)	2(12,492)
		Foreign currency securities	2(20,786)
		Other securities	32(59,133)
		Beneficiary certificates	3(5,127)

Code	FN-IB-410a.2		
Accounting Metric	(1) Number and (2) total value of investments and loans incorporating integration of environmental, social, and governance (ESG) factors, by industry		
Unit	(1) Number of products, (2) KRW million		
Response from NHIS	Category		No. of Products (amount)
	Korean equity	Sustainable agriculture, forestry, and fisheries industries	46(3,022)
		Renewable energy and energy efficiency	43(46,604)
		Pollution prevention and control	10(1,810)
		Other eco-friendly	28(36,879)
	Green Finance	Korean ETF	Sustainable agriculture, forestry, and fisheries industries
			1(5,611)
		Renewable energy and energy efficiency	8(19,198)
	Overseas equity	-	12(10,176)
		Overseas ETF	-
		Callable bond	Renewable energy and energy efficiency
		Corporate credit offering	-
	CSR	Korean equity	Public service sectors e.g. healthcare, education
			146(69,481)
		Infrastructure for vulnerable groups	21(4,944)
		Korean ETF	Public service sectors e.g. healthcare, education
			5(5,124)
		Corporate social responsibility	1(14,692)
	Overseas equity	-	15(5,431)
		Overseas ETF	-
		Corporate credit offering	-
			18(118,925)
Code	FN-IB-410a.3		
Accounting Metric	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment banking and brokerage activities		
Unit	N/A		
Response from NHIS	NHIS has established a TFT in response to ESG and is planning to operate the ESG Council, a corporate-wide consultation unit. More information can be found on page 55. NHIS operates a risk management organization and bodies, and manages its environmental and ESG risks as well as financial risks. The environmental and ESG risks are incorporated under our risk management policy and are closely linked to our business operation. More details about the alignment plans and activities can be found on pages 81 - 83. In 2021, we declared coal-free finance in line with the vision of ‘ESG Transformation 2025,’ through which we will support to the Korean New Deal and low-carbon policy of the government.		

Business Ethics

Code	FN-IB-510a.1
Accounting Metric	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations
Unit	KRW
Response from NHIS	NHIS is committed to establishing an ethical corporate culture. More details about violations of financial industry laws can be found on pages 71 - 73.
Code	FN-IB-510a.2
Accounting Metric	Description of whistleblower policies and procedures
Unit	N/A
Response from NHIS	At NHIS, we do not tolerate any form of unethical practice and take harsh measures against then. We implemented both internal and external reporting systems through various channels, and more details about our policies and procedures can be found on pages 71 - 73.

Professional Integrity

Code	FN-IB-510b.1
Accounting Metric	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, client-initiated complaints, private civil litigations, or other regulatory proceedings
Unit	(1) person, (2) %
Response from NHIS	No violation of laws or financial regulations was committed in 2020.
Code	FN-IB-510b.2
Accounting Metric	Number of mediation and arbitration cases associated with professional integrity, including duty of care, by party
Unit	Case
Response from NHIS	We disclosed the number of the reports and the cases of violation for the last three years on page 64. We conduct thorough investigations and follow-up against violations of international regulations to prevent their recurrence.
Code	FN-IB-510b.3
Accounting Metric	Total amount of monetary losses as a result of legal proceedings associated with professional integrity, including duty of care
Unit	KRW
Response from NHIS	There are 35 ongoing legal proceedings as of 2020 and their results cannot be predicted. They will be disclosed transparently in the future after they are settled.
Code	FN-IB-510b.4
Accounting Metric	Description of approach to ensuring professional integrity, including duty of care
Unit	N/A
Response from NHIS	At NHIS, we spare no efforts to fulfill our ethical responsibilities commonly accepted as a social norm, including economic and legal responsibilities. Our policies on professional integrity and ethics are stated in the Code of Conduct and Code of Ethics to promote the compliance. Our commitment to internalizing ethical awareness can be found on pages 71 - 73.

Systemic Risk Management

Code	FN-IB-550a.1
Accounting Metric	Global Systemically Important Bank (G-SIB) score, by category
Unit	Basis point (bps)*
Response from NHIS	N/A

* Basis Points (bps): refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%.

Code	FN-IB-550a.2
Accounting Metric	An approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities
Unit	N/A

Response from NHIS	NHIS establishes its own crisis scenario every year and conducts an integrated crisis analysis every six months in line with the Banking Supervision Enforcement Regulations. Our integrated risk analysis consists of five stages: scenario, risk estimation, profit and loss analysis, capital ratio analysis, and reporting and utilization. The analysis results estimated through this are reported to the Risk Management Committee and applied to our business management, capital, funds, and risk management plans.	
	The crisis stage of capital adequacy and internal capital is determined based on risk factors (default rate, loss rates in case of bankruptcy, credit conversion rate), which fluctuate depending on changes in macroeconomic indicators. In case of liquidity, we consider the liquidity strain. By applying the results of the analysis conducted under the “1 st Year Deterioration Scenario,” the crisis situation index implements action plan according to the identified crisis stage (caution-alert-severe). Capital adequacy is improved through risk-weighted assets allocation, management plans and performance table adjustment as well as capital expansion by each stage. For liquidity crises, we prepare by operating a crisis response organization, issuing corporate bonds, and securitization.	
	Before selecting a scenario, we choose scenario setting parameters on the basis of the major risk factors, considering the economic situation. Then, we classify crisis situation by stage into “internally defined scenarios (criteria based on the possibility of future risks)” and “historical scenarios (based on actual events).” There are two methods for setting the scenario setting parameters – model estimation and subjective judgment – as basic, exacerbation, and serious scenarios are determined by the magnitude of the situation. However, in the setting of the basic scenario, subjective judgment is excluded as much as possible.	
	Setting of a Basic Scenario	Using the VAR model’s estimate and variance-covariance matrix of each variable, it is set to fix the call rate to the shock of 0.5%. (This solves the problem of interest rate divergence due to the estimation model.)
	Setting of Exacerbation and Serious Scenarios	After setting the basic scenario, exacerbation and severe scenarios are established by adding assumptions, step by step, about situations in which shocks on private consumption expenditure and exports of goods and services interact in a complex way. For variables for which it is difficult to reflect shocks through assumptions and models, n standard deviation shock is assumed.
* Indices that are not included in the GDP estimation model, such as the housing sale price index and KTB yield, are estimated using the SVR model.		
For the crisis scenario with respect to domestic and foreign currency liquidity, NHIS applies the liquidity crisis scenario reported in the internal Risk Management Committee. The scenario is added with assumptions concerning internal crisis, market crisis, and coupled crisis using the LCR* criteria as the base scenario.		
* LCR (Liquidity Coverage Ratio): A short-term liquidity indicator (amount of high liquidity asset holdings/net cash outflow of the next 30 days) set in Basel that requires the retention of high liquidity assets necessary for a bank to survive for 30 days even in severe crisis situations in order to increase a bank’s short-term resilience.		

Code	FN_IB_550b.3
Accounting Metric	Discussion of policies around supervision, control, and validation of traders’ pricing of Level 3 assets and liabilities
Unit	N/A

Response from NHIS	NHIS applies evaluation criteria for financial products, and uses them for the management and identification of risks, such as financial products and trading positions**. The division in charge of assessment selects evaluation models and input variables and other information required for the evaluation in discussion with trading divisions, and upgrades them on a regular basis. The division responsible for the evaluation is granted the authority to alter fair value level on its own decision, depending on the degree of significance of fair value or changes in the market where market information is traded. As for the released products, the level can be changed after the review of its rationality with finance division.
	<p>The evaluation principles align with KIFRS, and the products of marketable securities, including derivative linked securities, reflect its credit ratings and our curve by each issued currency. For other products, the interest rates of currency applied and currency swap curve are adopted. In the case of exchange rates that should be considered, spot exchange rate is applied and the basic rate of exchange is used as the conversion rate. CRA (Credit Risk Adjustment) is applied to transactions of all over-the-counter derivatives that our counterparties are involved with, and our credit risks and those of our counterparties are taken into consideration for the calculation of CRA. If the evaluated amount is a positive number, then the credit risks of counterparties are reflected. If the evaluated amount is a negative number, then our credit risks are reflected. The amount of CRA is calculated as below by offsetting the contracts and allocated by transaction.</p> <p>[EL (Expected Loss)=EAD (Exposure At Default) x PD (Probability of Default) x LGD (Loss Given Default)]</p> <p>· EAD: It is measured with adjustment of estimated collateral value from offset gains after offsetting the contracts with legally valid contract</p> <p>· If the evaluated amount is a positive number Max (evaluated amount - estimated value of receivables taken as collateral)</p> <p>· If the evaluated amount is a negative number Min (evaluated amount - estimated value of collateral payment)</p> <p>· Estimated collateral value is calculated in accordance with BIS standards with positive numbers applied for value of receivables taken as collateral, negative numbers for estimated value of collateral payment.</p> <p>· For the calculation of PD, common credit ratings of holding company override other ratings, but if there are no common credit ratings of holding company, external ratings are used. If there are no ratings, BB+ will be adopted</p> <p>· As for the use of PD, it is calculated by summing transactions up on the basis of unit of set-off contract, so the expiration cannot be defined. Therefore, the 1-year PD corresponding to the credit ratings of counterparty among PDs and calculated by the holding company is used.</p> <p>· 45% of Loss Given Default is used.</p> <p>· The amount of CRA calculated by offsetting the contracts is allocated in the method of BIS Current Exposure and in accordance with the ratio of the add-on amount.</p>

* Level 3 Asset and Bond: assets and bonds whose values are determined according to the company’s subjective decision since it is difficult to measure its value due to low liquidity or the absence of the activated market for them

** Trading Position: the positions of financial products owned with an intent of trading or other trading position hedging

TCFD (Task Force on Climate-related Financial Disclosures)



The TCFD (Task Force on Climate-related Financial Disclosures) is an initiative developed in 2015 by the FSB (Financial Stability Board) which was delegated by the finance ministers of G20 and the presidents of central banks. The goal of the initiative is to encourage corporations to disclose their climate-related information. In June 2017, a recommendation was announced to promote the release of financial impact in relation to climate changes. In response, we disclose this information in accordance with TCFD guidelines and the interests of our stakeholders.

TCFD Recommendations		NHIS Disclosures
Governance	Describe the board’s oversight of climate-related risks and opportunities	Recognizing the needs for actions against climate changes, the NHIS BOD discusses and oversees ESG-related issues including strategies for sustainable growth. Coal-free operation and renewable energy investment plans are discussed, and size of related investment has been increased over the years. As a part of our commitment to this issue, we are reviewing the establishment of a committee to manage our response to climate changes and operating an ESG task force team as an agile organization to facilitate the decision-making procedure. The organization of an advisory group and its operational plan are also under review. On top of that, ESG factors have been included in the evaluation criteria for CEO, the BOD, and relevant divisions in order to strengthen the role of each employee.
	Describe management’s role in assessing and managing climate-related risks and opportunities	
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	NHIS recognizes the climate changes as a critical risk factor. In response to growing interests and concerns toward the environment around the world, more stringent environmental regulations are being implemented. Failure in meeting this trend will be likely to lead to violations of environmental regulations, followed by the degradation of corporate reputation. Under these circumstances, we recognize this as a short-term risk, and seek eco-friendly management in our business operation and working environment through various efforts including monitoring of GHG emissions. In the long run, we are engaged in the international campaign to prevent the 2-degree increase in global average surface temperature. Nonghyup Financial Group has established the strategy in line with the ‘ESG Transformation 2025’ and increased its investments in renewable energy and low-carbon industries. In particular, we declared coal-free operation to ban any loans or investments in the coal industry and instead, aim to invest KRW 1 trillion in the low-carbon green industry as one of our medium/long-term goals. NHIS will spare no efforts to reduce environmental impact, and strive for environmentally-friendly business opportunities.
	Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.	
	Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	

TCFD Recommendations		NHIS Disclosures											
Risk Management	Describe the organization’s processes for identifying and assessing climate-related risks.	<p>Our risk management organizations and decision-making bodies define and manage all forms of risks in our business operation. Any risks subject to management are discussed with the decision-making bodies including Risk Management Committee under the oversight of the BOD and the organization dedicated to risk management directly under the CEO. The monitoring data and management activities are also reported in detail to the management on a regular basis. As part of our efforts to raise employees’ awareness of climate changes, we refine our internal policies and regulations while organizing various training programs for employees.</p> <p>Climate risks are incorporated into our risk management system so that the risks are taken into account when making critical decisions. In particular, we set limits on loans and investments in specific industries or corporations with environmental impacts. When it comes to the evaluation of businesses and clients, ESG criteria are adopted to closely review in terms of the level of ESG sensitivity and their disclosure while reflecting the results in corporate credit ratings. In addition, we use ESG criteria as the evaluation standards for the CEO and relevant divisions in order to raise company-wide awareness of climate risks.</p> <table><tr><th>Business Evaluation</th><th>Client Evaluation</th></tr><tr><td>Due diligence on investment overview, ESG sensitivity of investment subject, and reference to external reports → Evaluate businesses</td><td>Review on the environmental and social contribution, and public disclosures → Evaluate clients</td></tr><tr><td colspan="2">Rate corporate credit based on client and business rating.</td></tr></table>		Business Evaluation	Client Evaluation	Due diligence on investment overview, ESG sensitivity of investment subject, and reference to external reports → Evaluate businesses	Review on the environmental and social contribution, and public disclosures → Evaluate clients	Rate corporate credit based on client and business rating.					
	Business Evaluation			Client Evaluation									
	Due diligence on investment overview, ESG sensitivity of investment subject, and reference to external reports → Evaluate businesses			Review on the environmental and social contribution, and public disclosures → Evaluate clients									
Rate corporate credit based on client and business rating.													
Describe the organization’s processes for managing climate-related risks.													
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.													
Metrics and Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<p>NHIS has established targets to reduce GHG emissions and to increase the size of investments toward environment-friendly sectors as key climate changes responsive initiatives. We monitor GHG emissions through a management system, and operate digital counters, purchase high-efficiency and eco-friendly products as well as electric vehicles to adapt environment-friendly activities close to our daily life. We set GHG reductions targets as part of our support for the government’s carbon-neutral policy and plan to replace all our business vehicles with electric vehicles.</p> <p>(Unit: tCO₂eq)</p> <table><tr><th>Category</th><th>2020</th></tr><tr><td>Scope 1</td><td>68.5</td></tr><tr><td>Scope 2</td><td>2,979.6</td></tr><tr><td>Scope 3</td><td>378.1</td></tr><tr><td>Percentage of Reduction</td><td>4.8</td></tr></table>		Category	2020	Scope 1	68.5	Scope 2	2,979.6	Scope 3	378.1	Percentage of Reduction	4.8
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	Scope 1	68.5											
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Scope 3	378.1												
Percentage of Reduction	4.8												
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.													
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Also, there is a trend to increase investment in eco-friendly sectors by setting the amount of investment in eco-friendly business as a basis for assessment. NHIS has raised more capital than expected in ESG Bond issuance and investment in renewable energy thereby building its success stories in the area.												

Third-Party Assurance Statement

To readers of NH INVESTMENT & SECURITIES 2021 INTEGRATED REPORT

Introduction	Korea Management Registrar (KMR) was commissioned by NH INVESTMENT & SECURITIES to conduct an independent assurance of its NH INVESTMENT & SECURITIES 2021 INTEGRATED REPORT (the “Report”). The data and its presentation in the Report is the sole responsibility of the management of NH INVESTMENT & SECURITIES. KMR’s responsibility is to perform an assurance engagement as agreed upon in our agreement with NH INVESTMENT & SECURITIES and issue an assurance statement.		
Scope and Standards	NH INVESTMENT & SECURITIES described its sustainability performance and activities in the Report. Our Assurance Team carried out an assurance engagement in accordance with the AA1000AS v3 and KMR’s assurance standard SRV1000. We are providing a Type 2, moderate level assurance. We evaluated the adherence to the AA1000AP (2018) principles of inclusivity, materiality, responsiveness and impact, and the reliability of the information and data provided using the Global Reporting Initiative (GRI) Index provided below. The opinion expressed in the Assurance Statement has been formed at the materiality of the professional judgment of our Assurance Team.		
	Confirmation that the Report was prepared in accordance with the Core Options of the GRI standards was included in the scope of the assurance. We have reviewed the topic-specific disclosures of standards which were identified in the materiality assessment process. We also confirmed that the report was prepared in accordance with the TCFD recommendations and SASB.		
	<div>· GRI Sustainability Reporting Standards</div> <div>· Universal standards</div> <div>· Topic specific standards</div>		
	<div>- Management Approach</div> <div>- Economic Performance : 201</div> <div>- Indirect Economic Impacts : 203</div> <div>- Anti-Corruption : 205</div> <div>- Energy : 302</div> <div>- Water and Effluents : 303</div>	<div>- Emissions : 305</div> <div>- Employment : 401</div> <div>- Training and Education : 404</div> <div>- Customer Privacy : 418</div> <div>- Socioeconomic Compliance : 419</div>	
	As for the reporting boundary, the engagement excludes the data and information of NH INVESTMENT & SECURITIES’ partners, suppliers and any third parties.		
KMR’s Approach	To perform an assurance engagement within an agreed scope of assessment using the standards outlined above, our Assurance Team undertook the following activities as part of the engagement:		
	<div>· reviewed the overall Report;</div> <div>· reviewed materiality assessment methodology and the assessment report;</div> <div>· evaluated sustainability strategies, performance data management system, and processes;</div> <div>· interviewed people in charge of preparing the Report;</div> <div>· reviewed the reliability of the Report’s performance data and conducted data sampling;</div> <div>· assessed the reliability of information using independent external sources such as Financial Supervisory Service’s DART and public databases.</div>		
Limitations and Recommendations	KMR’s assurance engagement is based on the assumption that the data and information provided by NH INVESTMENT & SECURITIES to us as part of our review are provided in good faith. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. To address this, we referred to independent external sources such as DART and National Greenhouse Gas Management System (NGMS) and public databases to challenge the quality and reliability of the information provided.		

	Based on the document reviews and interviews, we had several discussions with NH INVESTMENT & SECURITIES on the revision of the Report. We reviewed the Report’s final version in order to make sure that our recommendations for improvement and revision have been reflected. Based on the work performed, it is our opinion that the Report applied the Core Option of the GRI Standards. Nothing comes to our attention to suggest that the Report was not prepared in accordance with the AA1000AP (2018) principles.
Conclusion and Opinion	Inclusivity NH INVESTMENT & SECURITIES has developed and maintained different stakeholder communication channels at all levels to announce and fulfill its responsibilities to the stakeholders. Nothing comes to our attention to suggest that there is a key stakeholder group left out in the process. The organization makes efforts to properly reflect opinions and expectations into its strategies.
	Materiality NH INVESTMENT & SECURITIES has a unique materiality assessment process to decide the impact of issues identified on its sustainability performance. We have not found any material topics left out in the process.
	Responsiveness NH INVESTMENT & SECURITIES prioritized material issues to provide a comprehensive, balanced report of performance, responses, and future plans regarding them. We did not find anything to suggest that data and information disclosed in the Report do not give a fair representation of NH INVESTMENT & SECURITIES’ actions.
	Impact NH INVESTMENT & SECURITIES identifies and monitors the direct and indirect impacts of material topics found through the materiality assessment, and quantifies such impacts as much as possible.
	Reliability of Specific Sustainability Performance Information In addition to the adherence to AA1000AP (2018) principles, we have assessed the reliability of economic, environmental, and social performance data related to sustainability performance. We interviewed the in-charge persons and reviewed information on a sampling basis and supporting documents as well as external sources and public databases to confirm that the disclosed data is reliable. Any intentional error or misstatement is not noted from the data and information disclosed in the Report.
Competence and Independence	KMR maintains a comprehensive system of quality control including documented policies and procedures in accordance with ISO/IEC 17021:2015 - Requirements for bodies providing audit and certification of management systems. This engagement was carried out by an independent team of sustainability assurance professionals. KMR has no other contract with NH INVESTMENT & SECURITIES and did not provide any services to NH INVESTMENT & SECURITIES that could compromise the independence of our work.

June 2021 Seoul, Korea

E. J. Hawang



2020 Awards

Date	Awards
Jan. 2020	Won IB Grand Prize at the 9 th Yonhap Infromax Finance Awards
	Raked 1 st for IB in many categories including Equity House, Best Bond Deal (SB), Best Rights Offering, Best Rights Offering House and Best IPO House at 2020 Korea Capital Markets the bell League Table Awards
Feb. 2020	FnGuide Best Analyst Awards 2019 Best Research Securities Firm by Chosun Ilbo
	Selected as The Best Management Firm of the Year at the 17 th Money Today Korea IB Awards
Apr. 2020	Won the Comprehensive Grand Prize at the 11 th Korea IB Awards by Hankyung
	Received the Grand Prize in the category of securities at 2020 Maekyung Securities Awards
	Won the Grand Prize at 2020 Herald Business Capital Markets Awards
	Ranked 1 st in the securities category (excellent PD) at the 2019 2H Best Government Bond Dealer Awards by Ministry of Economy and Finance
Jun. 2020	Won the 11 th MTN Best Analyst Grand Prize hosted by Money Today (FnGuide)
Jul. 2020	Received the Grand Prize for best securities companies at 1H Hankyung Business Best Securities Firm Awards
Sep. 2020	Won Excellence Prize in the securities sector at the 10 th Best MTS Awards hosted by Money Today in 2020
Oct. 2020	Received the Asia Economy Grand Prize at the 2019 Asia Smart Trading System Awards in Client-Friendly category
	Ranked 1 st in the securities category (excellent PD) at the 2020 1H Best Government Bond Dealer Awards by Ministry of Economy and Finance
	Won the Grand Prize in the research sector at the 2020 Herald Investment Awards
Nov. 2020	Won the Grand Prize in the category of trading at the 8 th Best MTS Awards hosted by Money Today
Dec. 2020	Won the Grand Prize in the category of DC (defined contribution) at the 2020 Asia Capital Investment Awards by Asia Economy
	Received Excellence Award in the sector of IB at the 10 th Market Leader of the Year by E-Today

UNGC Compliance











In September 2011, NHIS joined the UNGC (United Nations Global Compact) to support and ensure compliance with the Ten Principles set in four areas: human rights, labour, environment, and anti-corruption. The activities we engaged in for each principle are disclosed in the pages below.

Area	Ten Principles	Reporting Boundary	Page
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	Social Part	69
	Principle 2: make sure that they are not complicit in human rights abuses.	Social Part	
Labour Standards	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Social Part	
	Principle 4: the elimination of all forms of forced and compulsory labour;	Social Part	
	Principle 5: the effective abolition of child labour; and	Social Part	66, 69
	Principle 6: the elimination of discrimination in respect of employment and occupation.	Social Part	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	Environmental Part	65
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	Environmental Part	
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	Environmental Part	
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Social Part	71-73

UN SDGs

NHIS is committed to sustainable development of the global community by aligning its business operation with the UN SDGs (Sustainable Development Goals).

Category	Principles		Activities	Page
 Goal 2	End hunger, achieve food security and improved nutrition, and promote sustainable agriculture		· Contribution to Local Community (Another Town) · Supporting Small and Medium-Sized Farms	76
 Goal 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all		· Educational Scholarship Program	67, 75
 Goal 5	Achieve gender equality and empower all women and girls		· Recruitment and Evaluation of Employees	66
 Goal 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all		· Recruitment and Evaluation of Employees	
 Goal 9	Build resilient foundation, promote inclusive and sustainable industrialization, and foster innovation		· Building a Foundation for Digital Finance · Inclusive Finance	58-61, 77
 Goal 10	Reduce inequality within and among countries		· Fair Recruitment and Evaluation · Inclusive finance	66, 77
 Goal 13	Take urgent action to combat climate change and its impacts		· Declaration of Coal-Free Finance · Environmental Management Practice	57, 65
 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.		· Ethics and compliance · Association and Global Initiative Membership	71-73, 115

Association and Global Initiative 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	Capital Market Institute	Korea Investor Relations Service	Seoul Economist Club
Korea Association of Real Estate Investment Trusts	Korea Capital Market Institute	Seoul Finance Forum	



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