

Thriving with the Market, the Innovative Financial Platform

Korea Securities Depository 2021 Sustainability Report



Thriving with the Market, the Innovative Financial Platform

About This Report

Korea Securities Depository published its first Sustainable Management Report in 2010. This report, published for the fifth time since 2019, shows sustainable business management activities and achievements to both internal and external stakeholders, and applies the opinions of various stakeholders to the management practices to strengthen KSD's capabilities as an innovative financial platform that realizes mutual success.

Reporting Standards

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

Reporting Period and Scope

This report covers the period from January 2020 to December 2020 and some categories include information from the first half of 2021. For quantitative achievements, the data from the last three years have been compiled to include data for comparison against past performances. The scope of this report covers KSD's headquarters in Busan, office in Seoul, three regional branches (i.e., Daejeon, Gwangju, and Daegu), and the Ilsan Center.

Reporting Assurance

This report has been verified by the Korean Foundation for Quality, an independent assurance service provider, to ensure its objectivity and transparency. The assurance results are provided on pages 108 - 109 of this report.

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Chairman & CEO Message



**Dear Valued Stakeholders,
I would like to take this opportunity to extend my heartfelt gratitude
for your continuing support of KSD.**

Korea Securities Depository is a Korea's top comprehensive securities service provider contributing to the development of the capital market and the national economy, and is equipped with world-class status and capabilities as a global CSD. We strive to harmonize financial and non-financial performances, such as environmental, social, and governance impacts, to lay the foundation for sustainable growth and fulfill our corporate social responsibilities. In addition, we are offering various and effective supports for the stability of the capital market in the midst of global economic slowdown and uncertainties driven from COVID-19 pandemic in the financial market. I would like to share KSD's efforts and achievements with stakeholders through this 2021 Sustainability Report to be published this year.

By proactively implementing sustainable management, KSD aims to contribute to the development of the capital market and society as a whole, taking a leap toward realizing an “Innovative financial platform that thrives with the market.”

KSD takes the lead in financial innovation and contributes to the development of the capital market

KSD leads financial innovation and contributes to the development of the capital market by continuously boosting service competitiveness in response to the market changes and needs. For instance, we have supported a stable establishment of the electronic securities system and opened an electronic voting system (K-VOTE) that provides great user convenience. In addition, we have established an integrated asset-backed securities (ABS) information system, a foreign currency securities information management system, a platform called FundNet that supports the investment of venture capital, and the Korea Overnight Financing Repo Rate (KOFR) calculation and publication system, further accelerating the service innovation with advancement of clearing and settlement services and support for the overseas stock decimal point trading service. We have also achieved a successful establishment and operation of a new IT center that makes trading safer and more efficient. We have also reinforced the global capital market by expanding global investment support services and opening Korea’s capital market infrastructure to global investors.

KSD is transforming itself into a market-friendly corporation that grows together with its customers

In order to proactively prepare for rapid changes in the financial market and business environment as well as transforming into a sustainable corporation, we are focusing on strengthening our core competencies and improving the organizational structure. As part of these efforts, we newly established mid-to-long term management goals and “KSD Vision 2030,” followed by an organizational overhaul. In addition, we improved our digital finance capabilities by incorporating innovative technologies such as Blockchain and Big Data and scaling up the IT infrastructure. We also acquired more advanced risk management capabilities by re-establishing the company-wide risk management system. Meanwhile, in order to improve customer satisfaction in line with social trends, we have continuously upgraded customer services and expanded CS initiatives. Through these various efforts, we will grow as a thriving corporation that is trusted and supported by the market.

KSD faithfully implements sustainable business management that meets the social standards

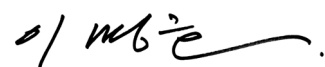
We are striving to implement sustainable management as social demands for environmental, social, and governance continue to grow. In terms of environment, we are actively promoting green finance through the establishment of digital infrastructure, environment-friendly green offices, and forest carbon offset projects. In addition, we are creating a vibrant organizational culture by strengthening fair HR policies and systematic talent development, creating a safe work environment, supporting work-life balance, and promoting mutual cooperation with the labor union. While consistent efforts are made to improve the governance structure including the advancement of the governance system, all employees are engaging in ethical business practices by spreading anti-corruption and integrity culture and measures to prevent the abuse of power.

KSD creates social value to practice “warm” capitalism

Despite the challenges posed by the COVID-19 pandemic, KSD has carried out various activities to create social value and contribute to the practice of “warm” capitalism. We have urgently created a large-scale stability fund to help rapid stabilization of capital market. In addition, we launched “K-Camp,” an acceleration program for innovative startups and job support for socially vulnerable groups, which has produced results that directly or indirectly created a number of jobs. Joining forces with the KSD Nanum Foundation, we are actively carrying out CSR initiatives in communities where the corporate headquarters and regional branches are located, including customized financial education, scholarship projects, and efforts to create basis for financial independence of socially vulnerable individuals. Meanwhile, in collaboration with public institutions in Busan, we are contributing to the vitalization of the local economy by establishing the Busan Embrace Fund for Social Economic Development (BFF).

We are as committed as ever to realizing our vision of becoming an innovative financial platform that thrives with the market while contributing to the development of the capital market and society as a whole through sustainable management practices. As a trusted partner, “warm” corporate citizen, and responsible expert, we will overcome this “living with Corona” era and open up a new horizon for the capital market together with all stakeholders. I look forward to your continued support and interest throughout our corporation’s journey.

December, 2021 **Myongho RHEE**, Chairman &
CEO of Korea Securities Depository

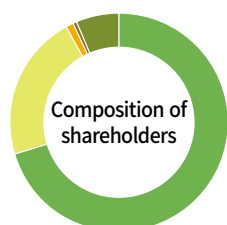


Company Overview

About KSD

Korea Securities Depository (KSD) was established to support the development of the capital market by offering comprehensive securities services including the issuance and distribution of securities. KSD has deposited and securely stored securities now worth of over KRW 6,000 trillion while managing the national assets by processing the settlement of securities trading efficiently. We also provide an efficient and stable platform for trading securities, and contribute to the enhancement of investor value and development of the financial market, leaping towards the realization of an innovative financial platform that thrives with the market.

Company	Chairman & CEO	Date of establishment	Address of corporate headquarters	Total assets	Revenue
Korea Securities Depository	Myongho RHEE	December 6, 1974	Busan International Finance Center (BIFC), 40 Munhyeon Geumyungro, Busan Metropolitan City	KRW 5,013.5 billion	KRW 268.9 billion



● Exchange (1)	70.43%
● Securities (22)	21.62%
● Banks (11)	1.08%
● Insurers (17)	0.73%
● Others (5) ¹⁾	6.14%

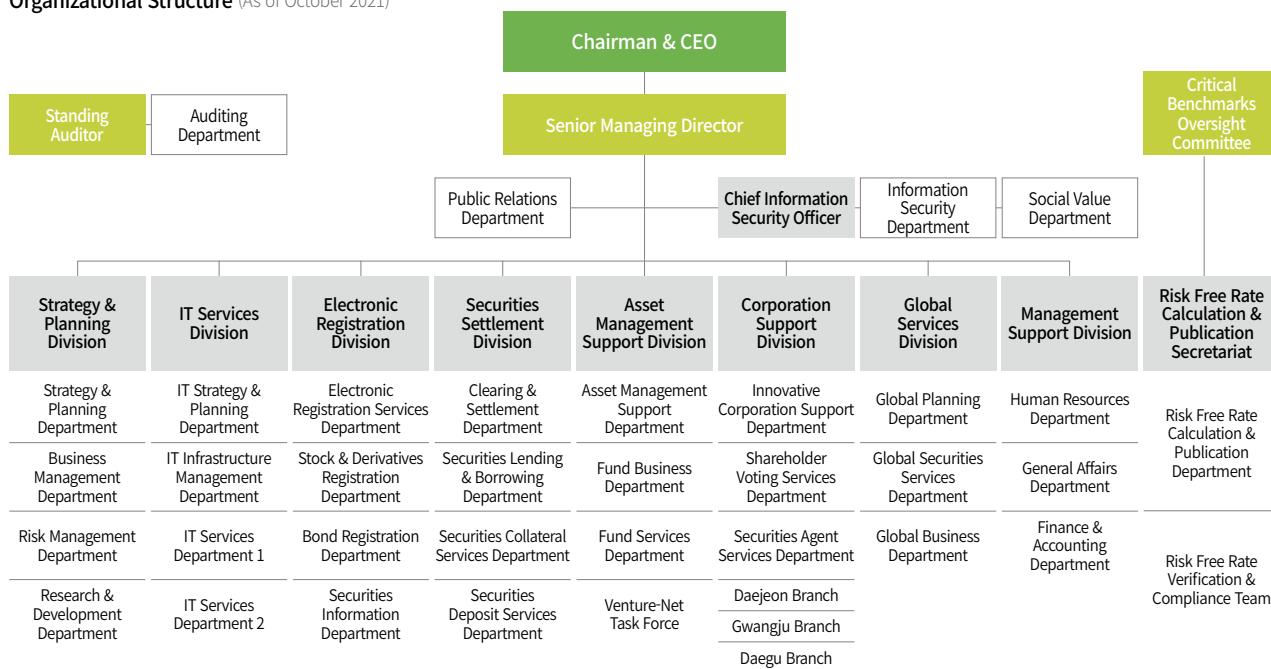
1) Koscom, Korea Financial Investment Association, Korea Securities Finance Corp.

(As of the end of 2020. the no. of shareholders are in parentheses.)

Organization

KSD consists of 8 divisions, 32 departments, and 3 support divisions (T/F excluded). As of October, 2021, KSD has a total of 737 employees.

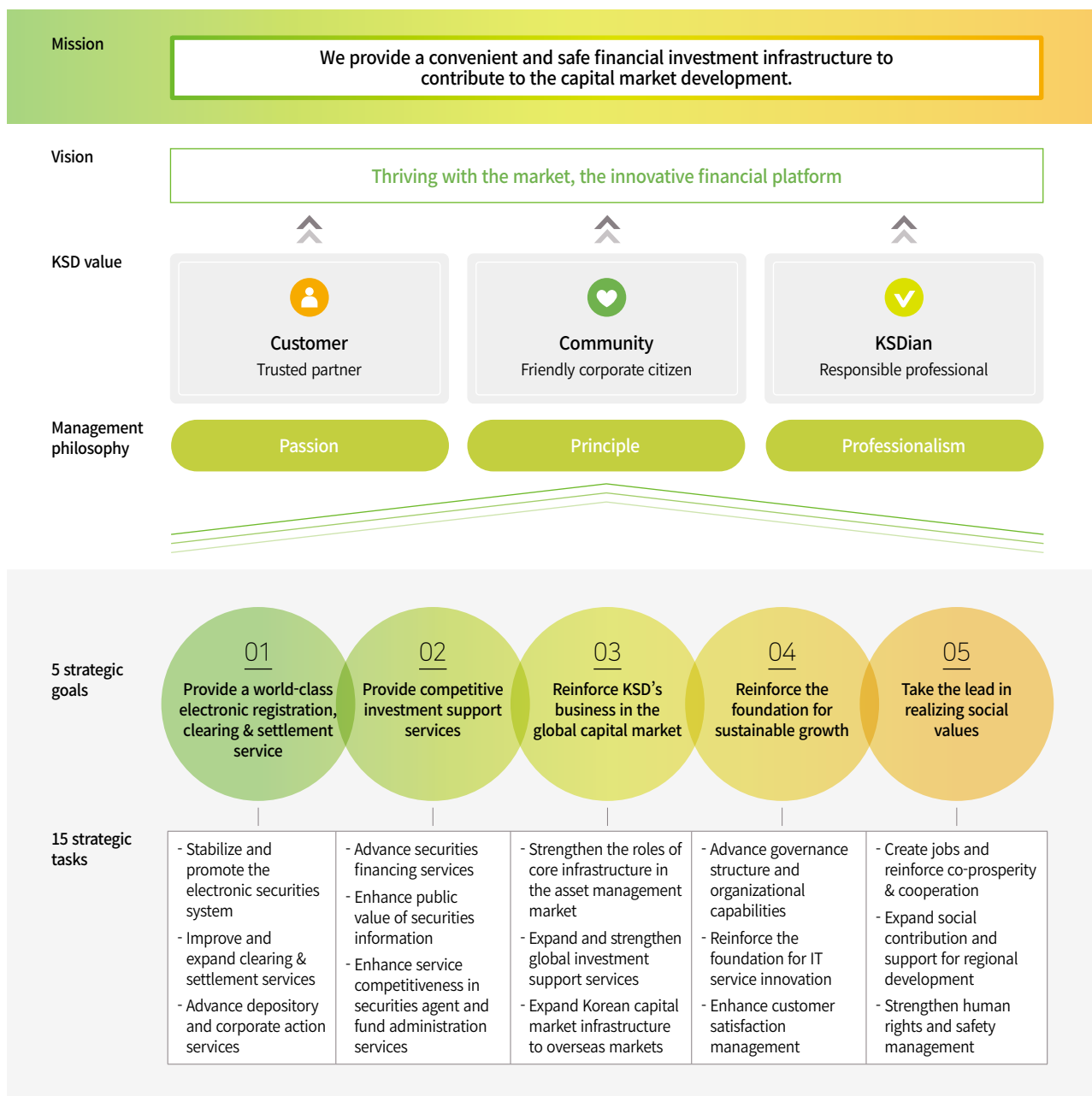
Organizational Structure (As of October 2021)



Management goals

KSD has established mid-to-long term management goals to become an innovative financial platform that thrives with the market while building on the foundation of customer trust and service innovation. In addition, we have established and implemented 5 strategic goals along with 15 strategic tasks that incorporate our mission and vision, focusing on strengthening our capabilities to provide a convenient and safe financial investment infrastructure. We will continue our efforts in continuous growth and innovation to ensure that the corporation's growth ultimately leads to the development of the capital market.

Mid-to-long term management goals

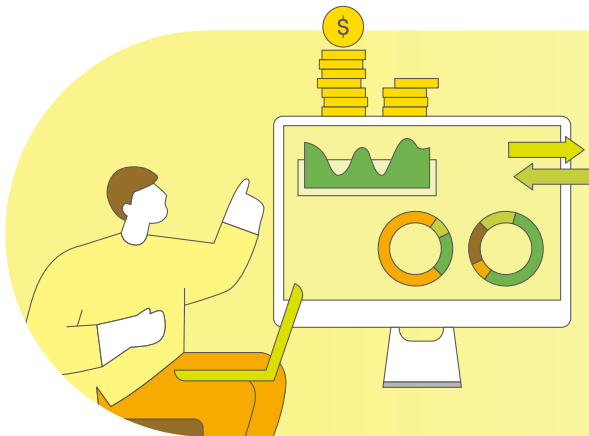


The Business Model

KSD offers various services to capital market participants, including the assistance of securities issuance market, global securities market, securities financing, securities distribution market, asset management market, voting rights exercise, and financial market. As the capital market evolves, KSD provides customized high-value services based on its inherent securities deposit and settlement services to save transaction costs and boost the efficiency.

1 Securities issuance market assistance

- Electronic registration of securities, etc.
- Securities agent
- Bond registration
- Securities information
- Crowdfunding assistance



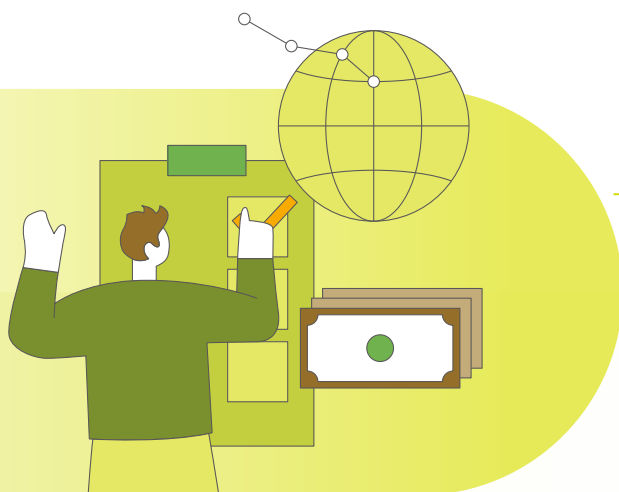
3 Securities financing assistance

- Securities lending and borrowing intermediary
- OTC derivative collateral management
- Future substitute securities management



5 Asset management market assistance

- Establishment and redemption of funds
- Fund management assistance
- Retirement pension assistance
- General office management

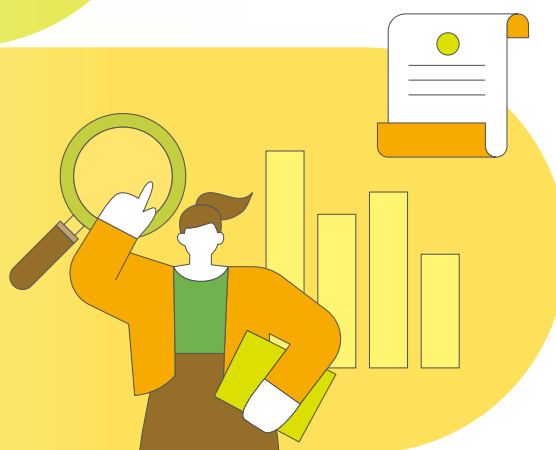


2 Global securities market assistance

- Deposit and settlement of foreign currency securities
- Management of securities in foreign currency
- Issuance of KDR
- International cooperation

4 Securities distribution market assistance

- Clearing and settlement
- Deposit of securities
- Securities rights management
- Securities-related tax services



6 Assistance for voting rights exercise

- Electronic voting
- Electronic proxy
- Voting rights for foreigners/funds

7 Financial market assistance

- | | |
|------------------------------------|--------------------|
| • Risk-free Rate (RFR) calculation | • CD/CP management |
| • Risk-free Rate (RFR) publication | • Institutional RP |
| • Audits & internal control | • Bank of Korea RP |
| • Electronic short-term bond | • Customer RP |



KSD Business Highlights

2016

- January 2016** **Launched central record management service for crowdfunding**
Selected as a central repository by the Financial Services Commission, KSD established CrowdNet (www.crowdnet.or.kr), offering information and services related to the security crowdfunding system.
- March 2016** **Opened ISA-Net service, a comprehensive asset management account service for individuals**
Established ISA-Net, a comprehensive support system that facilitates automated process between financial institutions, providing services to over 50 financial institutions.
- August 2016** **Exported NFS to KSEI Indonesia**
Developed S-INVEST, a funding platform that supports standardization and automation of fund-related services, laying the foundation for the advancement of Indonesia's fund market.



2017

- February 2017** **Participated in the investment of Social Impact Bonds (SIBs)**
As the first Korean public institution, KSD participated in the investment of SIBs to support self-reliance of the socially vulnerable in Gyeonggi Province.
- March 2017** **Launched SLB collateral transaction service**
By introducing SLB collateral transactions and expanding qualified collateral, KSD supported to alleviate collateral scarcity and promote domestic investment in securities.
- December 2017** **Launched the E-voting and E-proxy mobile services**
By offering user-friendly E-voting and E-proxy mobile services, KSD contributed to the convenience of shareholders in exercising their voting rights and the enhanced work efficiency of GSMs.

2018

- March 2018** **Established the assistance fund for social economy enterprises in Busan**
By establishing a fund in association with eight public institutions in Busan, KSD helped social enterprises to promote the local economy in Busan.
- August 2018** **Established KSDream Co., Ltd.**
KSD became the first public financial institution in Korea to facilitate transition of part-time to full-time employment and improve the quality of work by establishing a subsidiary company.
- October 2018** **Launched the foreign securities lending service**
KSD offered foreign securities lending services to increase the use of foreign securities and support diversification of investments.

2019

- March 2019** **Established the comprehensive business and human rights management plan**
KSD established the comprehensive business and human rights management plan for the realization of respect for human rights to arrange its business and human rights management structure.
- Acquired the highest grade (S) in customer satisfaction**
KSD was awarded the highest grade S in the Public-service Customer Satisfaction Index (PCSI) conducted by the Ministry of Economy and Finance.
- September 2019** **Launched the electronic securities system**
KSD successfully launched the electronic securities system which enables the electronic issuance and management of securities in a digital securities market environment.
- December 2019** **Opened the Securities Museum in Busan**
The Museum is a complex cultural space that displays securities with historical value to convey its role and the importance, thus providing opportunities for local residents to communicate and enjoy the culture.

2020

- March 2020** **Established the promotion strategy, 「KSD Vision 2030」**
KSD selected its new management vision to respond to changes in both the internal and external environments and to lead the advancement of the capital market as a key infrastructure institution in the capital market.
- October 2020** **Established the new IT Center**
To minimize financial IT system risks and respond to various service demands, KSD established the new IT centers in the Metropolitan area and Busan to enhance the workflow stability.
- November 2020** **Opened the new electronic voting system, K-VOTE**
To enhance user convenience of the electronic voting system, KSD launched a new electronic voting system that applied the latest innovative technologies to secure a competitive advantage in service.

2021

- February 2021** **Selected as a RFR (Risk-Free Reference Rate) calculation institution**
KSD was selected as a RFR (Risk-Free Reference Rate) calculation & disclosure institution at the governmental meeting of reforming major interest rate benchmarks and has been developing and operating the system.
- June 2021** **Established a platform supporting investments in private equity non-marketable assets**
KSD established a non-marketable asset classification and information management system by private equity funds, contributing to the enhancement of transparency and strengthen competitiveness in the private equity fund market.
- October 2021** **Established and opened the FundNet system**
By establishing and opening specialized back-end business system for venture capital and customized securities business support system for innovative companies, KSD has led the growth of venture investment industry through the enhanced work efficiency.
- November 2021** **Started the RFR (Risk-Free Reference Rate) calculation and publication**



KSD HIGHLIGHTS

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Highlight 1.
Promotion of Green Finance

KSD has been fulfilling its social responsibilities as a public institution by maintaining public's trust through the ongoing management innovation and implementing diverse sustainable management practices to create social value.

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Highlight 2. Job Creation

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Highlight 3.
Support for
Overcoming
COVID-19

1 Promotion of Green Finance

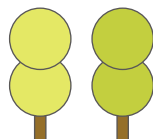
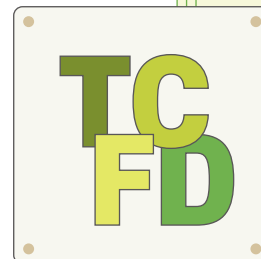
KSD is expanding international collaboration and strengthening the environment-friendly infrastructure to take the lead in promoting green finance in response to climate change.

Realizing green finance by supporting TCFD



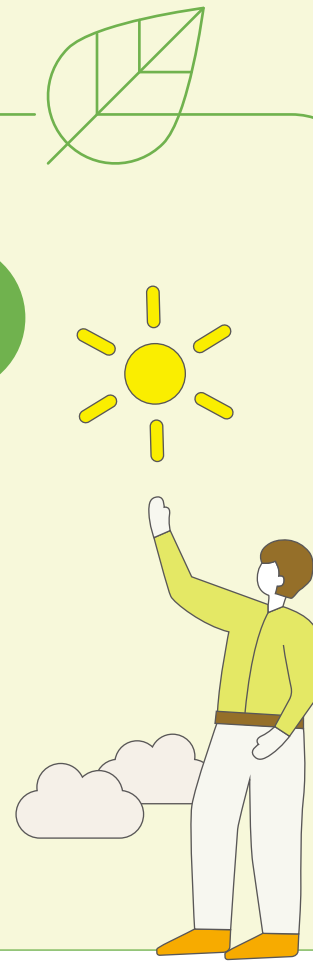
KSD committed its full-fledged support and fulfillment to the Task Force on Climate-Related Financial Disclosures and TCFD recommendations, clarifying the willingness to practice green finance to both internal and external partners. Based on the TCFD recommendations, KSD will realize green finance that proactively responds to risks and opportunities by actively incorporating climate risk factors into business activities and transparently disclosing financial information related to climate change.

* TCFD (Task Force on Climate-Related Financial Disclosures): An international initiative, launched in December 2015, that recommends disclosure of information regarding climate change and others including organizational governance/management strategy/risk management/indicators/goals.



KSD further strengthens the low-carbon green finance infrastructure.

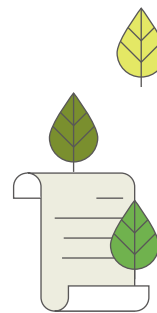
KSD has been proactive in implementing measures for low-carbon green financing through the electronic securities system and the electronic voting system. The implementation of electronic securities system that does not issue physical securities not only saved resources itself, but also reduced the production and storage costs of the issuing company. In addition, we are directly and indirectly reducing greenhouse gas emissions by activating the electronic voting system which minimizes the movement of both resources and people that would have otherwise occurred in offline general shareholders' meeting.



KSD implements green finance in our work and life.



KSD has long implemented various environmentally conscious initiatives, such as building eco-friendly green offices and promoting forest carbon offset projects. In addition to the existing programs, KSD newly launched a project to reduce fine dust particles and air pollutants by installing sustainable fine dust particle-absorbing filters and banners to business buses, workplace daycare centers, and company entrances. KSD will continue to research more effective measures including scaling up the deployment of environmentally conscious vehicles to help employees truly practice green finance into their work and life.



2 Job Creation

Based on its various policies, KSD creates quality jobs in contribution of sustainable social growth and economic growth.

KSD has stepped up efforts to create quality jobs in the private sector.

To fulfill government's job creation policy, KSD established a comprehensive implementation plan for job creation, led by the Social Value Department, particularly focusing on creating quality jobs in the private sector. In 2020, KSD supported crowdfunding and operated K-Camp, an accelerator program for innovative startups, which also contributed to the new job creation.

2,022 new jobs were indirectly created with the expansion of investments including the policy fund investments. Despite the COVID-19 pandemic, the year saw a total of 2,934 new direct and indirect jobs being created in the private sector through KSD's efforts.

Performance of job creation in private sector

Direct employment in the private sector
874 people

Indirect employment in the private sector
2,022 people

Total
2,934 people

* 38 new employees in 2020 included.

- 518 new employments created in the crowdfunding industry
- 137 new employments by scaling up the K-Camp Program
- 133 new employments of IT center and electronic voting system re-establishment
- 86 new employments in other areas

- Expense of KRW 82.74 billion invested in policy funds
- Expense of KRW 64.63 billion purchases, services, and donations budget
- Expense of approximately KRW 14.4 billion in other areas



Minister of Employment and Labor Award

"2020 Government Award for Job Creation"
Awarded in the category of converting part-time positions to full-time jobs in the public sector

Other awards



Prime Minister's Commendation Award

"2021 Government Award for Social Economy Revitalization"
Awarded in the category of social value



* Expenses made from the project budget, such as those for purchases or services were computed using the Employment Inducing Index (as announced by the Bank of Korea) into figures for indirect employment in the private sector.



Programs to offer employment to the socially vulnerable

Senior docents at museums

34 people

Senior citizens aged 60 or more offer visitors guidance and information on the artworks and facilities displayed at the museum.

The Green Dream Keeper

16 people

The elderly provides vertical gardens with air purifying plants to social welfare centers.

The Total Clean Master

60 people

Residents visit houses of self-support children with vulnerable housing and offer comprehensive household services such as cleaning and laundry.

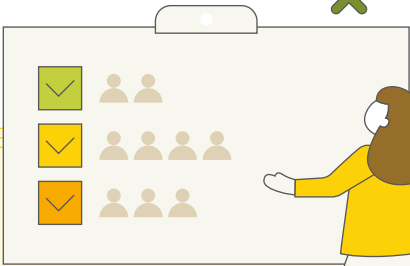
Female quarantine experts

36 people

Middle-aged women between 35 to 65 years old were recruited to carry out sterilization and quarantine-related tasks at the community child center and other facilities vulnerable to the spread of virus.

Total

146 people



KSD has been more proactive in creating jobs for the socially vulnerable.

In response to the job market deterioration triggered by the COVID-19 pandemic, KSD has been working closely with the local communities to provide jobs for socially marginalized groups. As a public institution that relocated to an innovative city, we have provided tailored jobs such as museum docent and quarantine specialist to the socially vulnerable, including middle-aged or aged individuals and women in Busan. This project led to a total of 146 vulnerable people employed from 2019 to 2021, providing valuable occupations and warm hope. In addition, by running the KSD Finance and Securities Open Campus Program for undergraduates and graduates, KSD has helped to strengthen the employment capabilities of young generations in the region.



3

Support for Overcoming COVID-19

Sharing the pain and spreading hope in society with heartfelt efforts to overcome the challenges.



KSD has actively supported the stabilization of the securities market.

As the COVID-19 pandemic put downward pressure on the global economy and increased volatility in the capital market, KSD has implemented various policies to help rapid stabilization of the market while easing the burdens of market participants.

A total of KRW 78.74 billion, including the Securities Market Stabilization Fund, the Bond Market Stabilization Fund, and the Corporate Bond Stabilization Fund, were promptly established to help stabilize the capital market.

Commissions normally charged to securities firms were also waived for a certain period, helping companies reduce transaction costs and injecting briskness into the market.

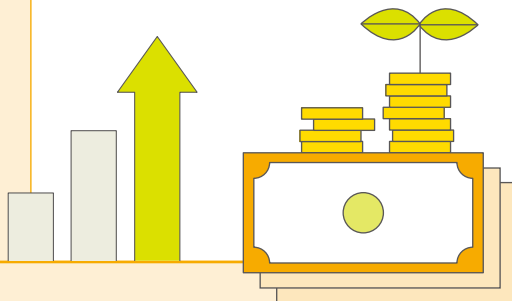
Support for the stabilization of the securities market

Securities Market Stabilization Fund
KRW **60** billion

Bond Market Stabilization Fund
KRW **16.74** billion

Corporate Bond Stabilization Fund
KRW **2** billion

Exemption of commission from securities companies
(September 14 – December 31, 2020)
KRW **43.5** billion



KSD also scaled up its support measures for the socially vulnerable and small merchants.

KSD sought to offer practical help to vulnerable individuals and small merchants in the local community that were hit hard by the spread of the COVID-19 pandemic to overcome the difficulties. We delivered quarantine essential kits to those in self-quarantine in Busan, offered subsidies to the households of elderly living alone and minors, and donated gift certificates to traditional markets to help socially vulnerable groups and small business owners.

In addition, KSD purchased potted plants and flowers from the local flower farmers in the region and delivered to alternative schools and social welfare facilities in Busan. The heads of institutions and senior executives donated a portion of their salaries, while executives and division heads voluntarily made donations with emergency disaster relief funds to help marginalized groups overcome the COVID-19 pandemic.

Support for the socially vulnerable

COVID-19 relief funds for small businesses in Busan

KRW **100** million

Delivery of emergency relief packages for self-quarantined people

KRW **10** million

Participation in the Flower Bucket Challenge

KRW **3** million

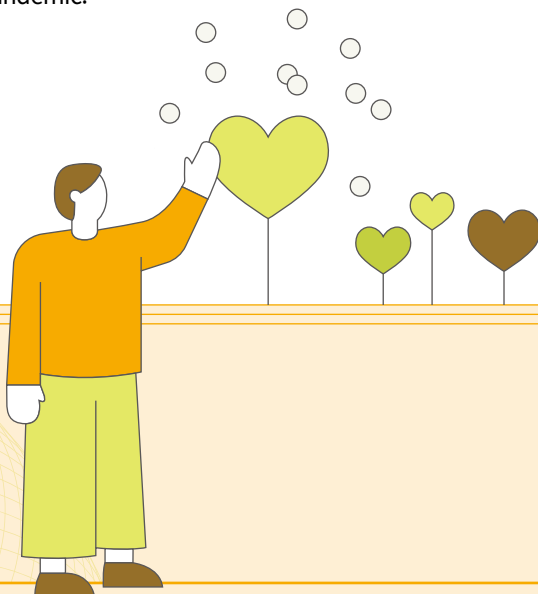
Executives' donations

Chairman & CEO and executives

30% of salary (for 4 months)

50 executives and division heads

Emergency disaster relief funds



SUSTAINABLE MANAGEMENT

20

Sustainable
Management
System

22

Strengthening
Business
Competitiveness

34

Building a Corporate
Culture of Mutual
Growth

Customer-first
Management

44

KSD has embraced sustainable business management to properly practice business management activities. We pursue sustainable growth by promoting sustainable management that stakeholders can trust and engage in. We are also implementing sustainable management strategies and activities focused on social and environmental value creation.

50

Advancement
of Social
Contribution

Creating Jobs
and Promoting
Mutual Growth

58

66

Establishment of
Green Finance
Infrastructure

69

Internalizing
of Ethical
Management

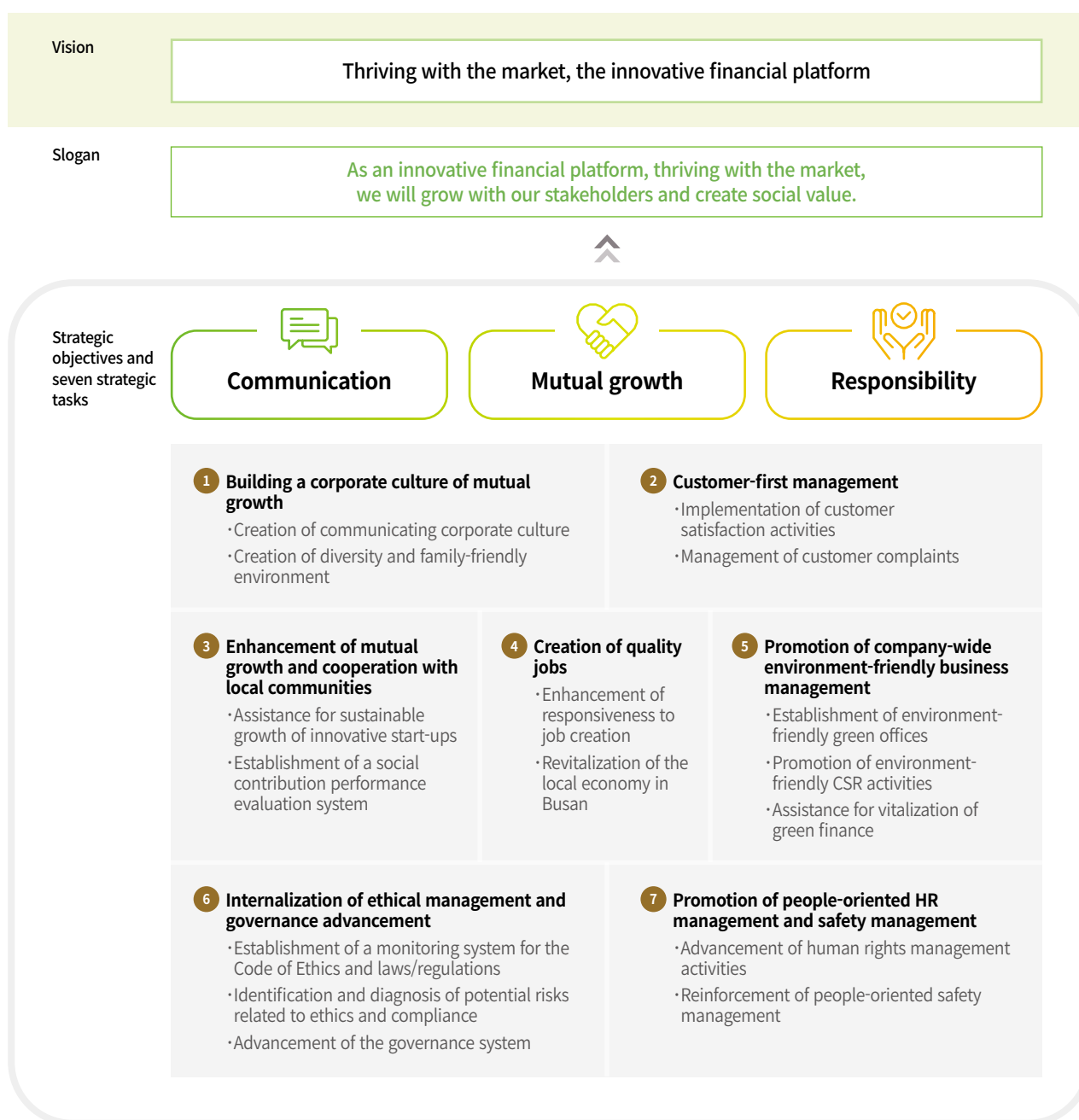
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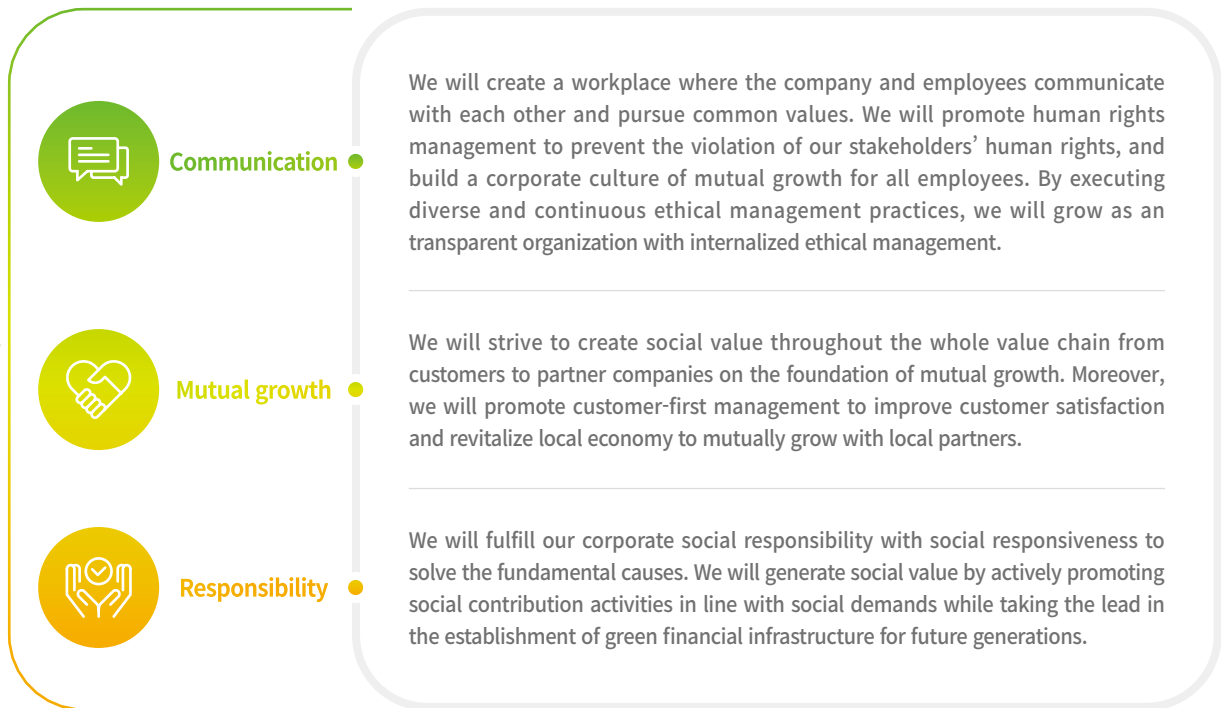
Creating a Safe
Working Environment

Sustainable Management System

Sustainable Business Management Strategies

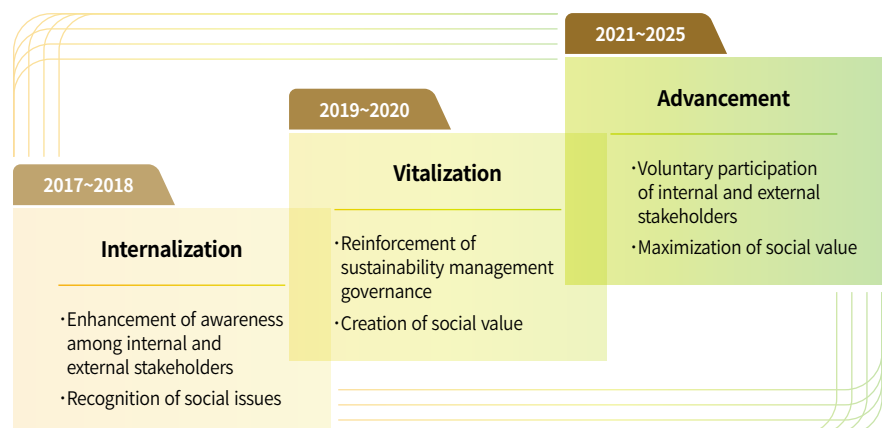
KSD, as a corporate citizen, has established a sustainable management system that practices inclusive finance and provides the value of mutual growth to all stakeholders. To that end, we have established the three strategic objectives of communication, mutual growth, and responsibility with the vision of creating an innovative financial platform that thrives with the market, and implemented seven strategic sustainable management tasks. KSD, as a corporate citizen, will further strengthen the foundation of sustainable management and generate social value.





Roadmap to promote sustainable management

Based on the mid-to-long term management goals, KSD has established a roadmap for sustainable management roadmap and managed the implementation status accordingly. Since 2017, activities in each stage have been carried out to raise awareness of sustainable management among employees and establish related infrastructure. Our goal is to achieve the advancement of the sustainable management system by 2025 to maximize social values, through the voluntary participation of our stakeholders. Once the advancement of the system is complete, we will implement corporate social responsibility initiatives more actively.



Sustainable Management 01

01

Strengthening Business Competitiveness



RISK & OPPORTUNITY



The unstable domestic and international economic situation continues along with the global economic recession, slow growth in financial industry, and the COVID-19 pandemic. Due to COVID-19 pandemic, the domestic market has gone through major ups and downs and the economic uncertainty has aggravated. The overall structure of industry and its businesses are also rapidly changing as the innovative financial IT technologies and Fintech are adopted at a faster pace with contactless trends booming.

APPROACH



KSD, in accordance with the new management strategy, has been flexibly coping with changes in the business environment and adoption of new technologies to lay the foundation for sustainable growth. KSD newly established mid-to-long term management goal with KSD Vision 2030 and found an organization to implement these plans. Customized service that reflected the needs of customers has also been provided as well as the improvement in both the system and process to strengthen business competitiveness. In addition, business in global capital market has also been reinforced to enhance the global competitiveness.

KEY PERFORMANCE

Established the mid-to-long term business goals and the KSD Vision 2030

Achieved a record of zero accidents in operating the electronic registration system

Established the new electronic voting system, K-VOTE

Securing engines for innovative growth

Opening of a new IT center

As part of its move to secure engines for innovative growth, KSD opened a new IT center to meet the demand for various services to prepare for business expansion since late 2019. The existing IT center was re-organized into two IT centers and one network office and was officially opened in October, 2020. This involved an upgrade to the outdated IT equipment and a two-fold increase in the system capacity. A software update laid the groundwork to handle more diverse work. By operating an IT center in both Ilsan and Busan, KSD has set up a mutual backup system so that all work can be restored in case of a system blackout caused by a disaster, and further improved the ability to respond to systematic errors.

Outcomes of opening a new IT center

Classification	Before	After
Disaster recovery time	Recovery within 3 hours	Recovery within 2 hours
HR management	Mostly at the main IT center	Resident personnel at both centers
Stability	Unmet standard for distance between two centers, Dual server configuration	Met standard for distance between two centers, Triple server configuration
IT infrastructure-related equipment	536 units	669 units

Expansion of financial services computerization

Taking into account the government's policies and market demand, a variety of financial services have been digitalized, laying the groundwork for further innovation. Newly adopted systems include the platform supporting investments in non-marketable assets, the integrated information system for asset-backed securities, FundNet, the new electronic voting system (K-VOTE), the foreign currency securities information management system, ARFP fund creation/redemption services, and the RFR (Risk-Free Reference Rate) calculation and publication. The new systems offer increased convenience and satisfaction to customers in various fields, and have been contributing to the progress made in the financial market.

Financial systems newly brought online

System adopted	Key points
Platform for supporting private equity investments in non-marketable assets	Standardization of codes for non-marketable assets and support for mutual verification of asset specifications held by private equity funds
Integrated information system for asset-backed securities	Provision of a single platform that provides issuance, public disclosure, distribution, and evaluation information of asset-backed securities
FundNet	Digitization and automation of back-office work of venture investment market targeting venture capitals, venture firms, and fund managers
New electronic voting system (K-VOTE)	Enhancement of service support for institutional investors and provision of additional services needed for holding general shareholders' meetings
Foreign currency securities information management system	Management of foreign currency securities issue and right information related to settlement and storage through an alliance with an authoritative information provider
ARFP fund creation/redemption service	Acceptance of creation/redemption services for overseas sales of domestic ARFP funds in accordance with the Asia Funds Passport System Implementation
RFR (Risk-Free Reference Rate) calculation and publication	Calculation and publication of the minimum rate of return that an investor can obtain without credit risk for a given period of time

Application of innovative technologies of the 4th industrial revolution

1) STO (Security Token Offering):
STO means tokenizing and collecting equity rights, bonds, and property rights on blockchain.

Preemptive response towards security token offerings (STOs)

A project to review the distributed ledgers for STOs was conducted from May to September 2021. STOs are one of the strategic initiatives to step up innovative financing¹⁾. Taking into account the legal landscape and market environment in Korea and abroad, the feasibility and applicability of crowdfunding STO projects based on blockchain technology were reviewed. For a more thorough evaluation of the role of blockchain in securities markets, KSD intends to select projects that have high market demand, use the existing platform (CrowdNet), and are amenable to technological review and verification.

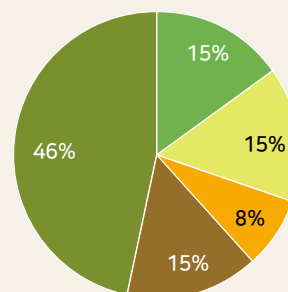
Adoption of an automated work system (RPA)

Since 2019, KSD has been conducting a review to adopt RPA technologies. Based on the review results, it has adopted an RPA solution in January 2021 to improve work productivity, becoming the first ever securities-related institution to do so. The system has been first applied to monitoring work that is repetitive and time-consuming, such as the calculation of fund returns, and is expected to save 5,281 hours of manpower annually. RPA will gradually be expanded across the entire company for more efficiency in work processing.

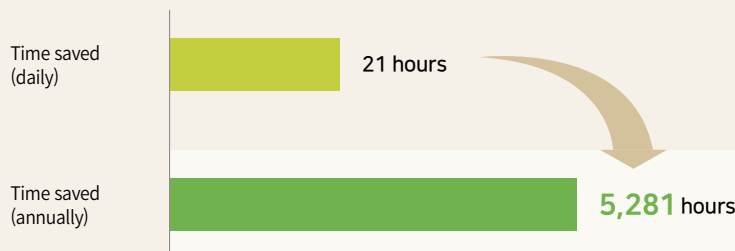
Achievements made by adopting the RPA solution

RPA solutions adopted by each department
(based on the number of work tasks involved)

● Finance and Accounting Department	15%
● IT Infrastructure Operation Department	15%
● Securities Derivatives Registration Department	8%
● HR Department	15%
● Fund Service Department	46%



Estimate of time saving effect (daily/yearly)



Advancement of electronic securities system operation

Achievements made in stabilizing the electronic securities system

Non-returned stocks of real stocks of listed companies subject to mandatory participation:



Decreased by **38 %**
(650 million stocks as of September 16, 2019 → Decreased to 400 million stocks as of December 31, 2020)

Completed change of articles of incorporation of listed companies subject to mandatory participation



92.6 %

Current status of unlisted companies' participation in the electronic securities system

Date
Number of unlisted companies
September 16, 2019 (The day on which the system took effect)
97 companies (4.0%)
December 31, 2020
247 companies (9.1%) ¹⁾
Note
A total of 415 (cumulative) unlisted companies converted to electronic securities over the years.

1) Number of unlisted companies that converted to an electronic registration system (①) / [Number of unlisted companies that converted to an electronic registration system (①) + Unlisted companies subject to depository designation (②)]

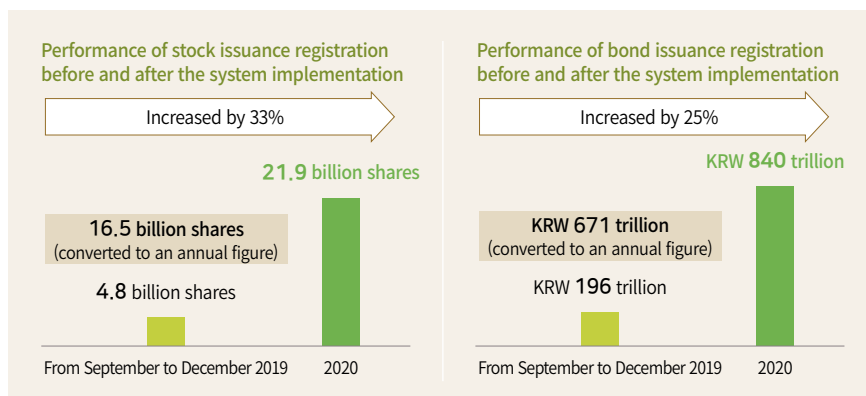
Increased stability of the electronic securities system

As one of the action plans of the registration (deposit) and payment project, which is one of the five key projects, we actively promoted the early settlement of the electronic securities system introduced in 2019 and enhancement of its stability. By gathering opinions from both internal and external stakeholders, a plan to build and improve the electronic securities system was established, followed by systematic review and management of progress by department. Rules and agreements related to the electronic securities system were also amended, and support was offered to stock-issuing companies that are eligible to participate in the system but are not required to change their articles of incorporation. In addition, in order to improve and develop the electronic securities system, we appointed advisory experts in each field and held electronic securities advisory committee meetings. To reduce risk in work processing, a work manual has been published and distributed to market participants. These multifaceted efforts led to an early stabilization of the electronic securities system and further improvement in business stability and consistency.

Stabilization of the electronic registration system

In response to the growing demand from market participants for improved electronic registration system, which had been in operation since 2019 with the adoption of an electronic securities system, we have promoted the advancement of our services and system stabilization. To optimize the system by type such as stocks or bonds, the format for conversion requests for preferred stocks were standardized and overall rights management and securities registration system were improved and supplemented. Improvements were made to cater to the unique traits of each bond type, and the bond registration system was also improved to include a feature that enables users to apply for advance review of multiple asset-backed bonds where multiple cases of issuance take place at once. In April 2020, a manual for account management that contains content on electronic registration was published and distributed to increase the work efficiency of market participants and further stabilize the operation of the electronic system as the workload for electronic registration increased.

Performance of electronic registration system stabilization



Stimulating unlisted companies' participation in the electronic securities system

In order to stimulate the electronic securities system, it is necessary to encourage unlisted companies, in addition to listed companies with poor performance in using the electronic securities system, to also voluntarily adopt the system. Various measures were used, including a survey to establish a plan to have more unlisted companies participate in the system. Tailored information sessions for unlisted companies, promotion of the system through media coverage, distribution of information materials, discounts or waivers on commissions, various PR activities and support for related legislation have been carried out by the KSD. As a result, the number of unlisted companies using the system increased from 97 in 2019, when the system was first introduced, to 247 companies as of the end of 2020, representing an increase of 150 companies.

Settlement risk management and efficiency enhancement

1) Principles for Financial Market Infrastructures

2) The payment limit of deducted payment from paying members, similar concept to the bank credit limit

Upgrading of settlement risk management

As a clearing and settlement institution, KSD has established and operated a settlement risk management system for stock-issuing corporations. KSD has also been reviewed for the system's appropriateness, and management of credit, market and liquidity risks from external professional organizations, to ensure that the institution's risk management capabilities meet the international standards (PFMIs)¹⁾. The review showed that KSD's system is "appropriate". In order to preemptively respond to reviews of PFMI compliance and strengthen its risk management capabilities, areas for improvement have been identified and a mid- to long-term stabilization plan has been laid out to prioritize the improvement of credit risk management which ranks higher in importance and urgency.

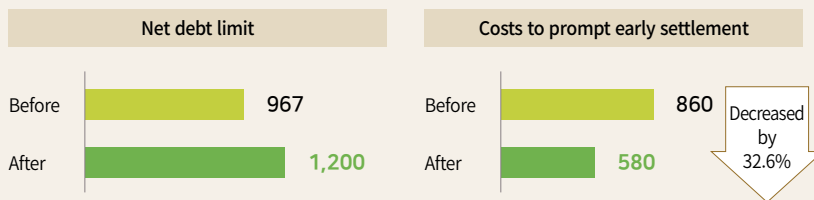
Efficient overhaul of the payment system

We have reorganized the payment system for systematic improvement of efficient and stable securities payment service in response to the continuous increment of over-the-counter securities settlement. To prevent the concentration of settlements right before closing time, KSD jointly developed a payment system for bond-issuing organizations with the Bank of Korea, Korea Exchange, and members who had signed up for settlement services for bonds (i.e., 81 securities firms) and opened the system in October. The improved system also offers a way to distinguish the settlement processing method into consecutive settlement or regular settlement. In October 2020, the net debt ceiling for members²⁾ who had signed up for settlement services was raised from KRW 100 billion to KRW 200 billion to significantly reduce the burden of promotional payment. As a result of the system reorganization, we have achieved reduction of financing costs for members of institutional settlement of stocks and bonds with faster settlement process.

Achievements made by settlement system improvement

Adjustment effect of the net debt limit for institutional settlement of stocks (Unit: KRW 100 million)

Saving of costs to prompt early settlement as a result of adjusting the net debt limit of settlement service members.



Improvements made by improving the payment method of bond-issuing institutions

Key indices	Improvement of settlement methods		Difference (B-A)
	Before (A)	After (B)	
Percentage(%) of liquidity reduction ¹⁾	5.2	6.1	+0.9
Time of settlement (Weighted average of monetary amount ²⁾)	15:18	15:06	-00:12
Percentage(%) of settlement cases concentrated right before closing	59.0	56.5	-2.5

1) Amount of liquidity reduction / Total settlement amount

2) $\Sigma(\text{Amount transferred per case} \times \text{settlement time}) / \text{Total amount}$

* Source: 2020 Payment Settlement Report (partial extract, the Bank of Korea)

Encouragement for more shareholders to exercise their voting rights

Establishment of a new electronic voting system, K-VOTE

As competition intensified over the electronic voting-related service that supports shareholders' voting rights, KSD is securing a competitive edge by upgrading the existing system for the better service. Following the establishment of the master plan and the implementation of consultation in 2018, a system analysis, design, configuration, and testing were carried out in phases from 2019 to 2020. The new electronic voting system, K-VOTE, was officially opened in November 2020, with the new BI applied. In March 2021, we have launched an electronic notification service for individual shareholders about the general shareholders' meeting information and presented a variety of new services such as expanding shareholders' access to the electronic voting system in connection with HTS/MTS (transaction system) of securities companies and Kakao Talk Notification apart from PC and mobile services. The new and user-friendly electronic voting system has not only enhanced the convenience of users from securities-issuing companies, institutional investors, and shareholders, but has also further improved the rate of electronic voting by enhanced information accessibility on general shareholders' meetings via electronic notification service.

Achievements made by improving the electronic voting system

	Before improvement	After improvement
24/365 unlimited convenience of use	<ul style="list-style-type: none"> While the electronic voting is still open, shareholders can cast their vote between 09:00 to 22:00 (or until 17:00 on the last day of voting.) 	<ul style="list-style-type: none"> Screen layouts have been overhauled. Voting is now available for 24/7 (or until 17:00 on the last day of voting).
Automated entry of information regarding general shareholders' meetings	<ul style="list-style-type: none"> The stock-issuing company had to manually register information on the holding of general shareholders' meeting, documents concerning disclosures, and the list of shareholders in the system. 	<ul style="list-style-type: none"> The automated synchronization with the Data Analysis, Retrieval and Transfer System (DART) and transfer agent (KSD) has reduced cumbersome application work.
Reinforced support for institutional investors	<ul style="list-style-type: none"> Institutional investors had to cast their votes separately for each company whose stocks they held. Appointment of a proxy or delegation of voting rights were unavailable on the system. 	<ul style="list-style-type: none"> A large number of votes can be cast electronically at once. The system allows users to cast their votes on behalf of clients who have delegated their entire investment, such as pension funds or mutual aid associations.
Statistical analysis reports	<ul style="list-style-type: none"> Not offered 	<ul style="list-style-type: none"> Reports tailored to each stock issuing company are offered based on the statistical analysis of votes cast.

Assistance for holding General Shareholders' Meeting

1) Alleviated resolution measures of the general shareholders' meeting and appointed auditor(committee member) for companies that introduced the electronic voting system (2020)

With the COVID-19 pandemic and an amendment to the Commercial Act¹⁾, the demand for contactless services, including electronic voting services, has increased. Therefore, KSD has actively supported the holding of general shareholders' meeting by stimulating the exercise of voting rights contactlessly. In order to offer electronic voting and electronic letters of attorney services in line with the non-contact era, the assistance systems for field work and IT customer were put in place to comprehensively support holding general shareholders' meetings of issuing companies during the regular general shareholders' meetings period (February to March). An online training system for electronic voting which used to be held face-to-face was also offered with a total of 77 companies taking the training courses.

In addition, KSD published and distributed a manual on electronic voting to 2,335 listed companies and 364 institutional investors. To promote the use of electronic voting by stock-issuing companies and reduce the cost burden, KSD waived the related commissions for the past three years, worth an aggregate of approximately KRW 5.7 billion, and actively encouraged the participation in the electronic voting system and promoted the new electronic voting system, K-VOTE through online channels like YouTube.

Improvements made to the electronic voting system
(Waivers and discounts for commissions)

(Unit: KRW 100 million)



New Electronic Voting System PR Video

CASE.

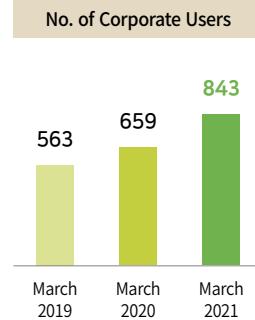
Performance of Significant Increase in e-Voting, Thanks to K-VOTE

Thanks to the introduction of the new electronic voting system (K-VOTE) along with the new service operation, e-voting commission waiver, online training, and public relations, we achieved the rapid growth in the number of companies and shareholders & shares using the e-voting system. The number of e-voting user companies rose by 28% from 659 companies in 2020 to 843 companies in 2021. In particular, it was discovered that 69% of the top 100 KOSPI-listed companies, including Samsung Electronics and Hyundai Motor Company, used K-VOTE. In comparison with the preceding year, the number of shareholders that electronically exercised their voting rights went up by 110% from 75,356 to 158,511, and the number of shares also increased by 24% from 1.81 billion to 2.24 billion.

Status of Companies Using K-VOTE at General Shareholders' Meeting (Unit: Company)

Category	2019	2020	2021	YOY
KOSPI	180	245	331	+86(35%)
KOSDAQ	375	392	460	+68(17%)
KONEX	3	4	8	+4(100%)
Misc.	5	18	44	+26(144%)
Total	563	659	843	+184(28%)

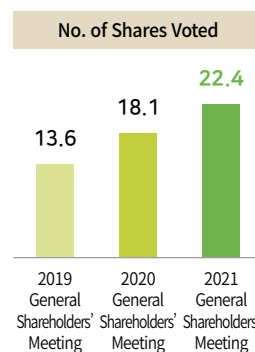
* Based on the Annual General Shareholders' Meeting at the End of March

**Status of Electronic Voting Rights through K-VOTE**

(Unit: 100M Shares)

Category	No. of Shareholders	No. of Shares
2019 General Shareholders' Meeting	105,820 people	1.36 billion
2020 General Shareholders' Meeting	75,356 people	1.81 billion
2021 General Shareholders' Meeting	158,511 people	2.24 billion

* Based on the Annual General Shareholders' Meeting at the End of March

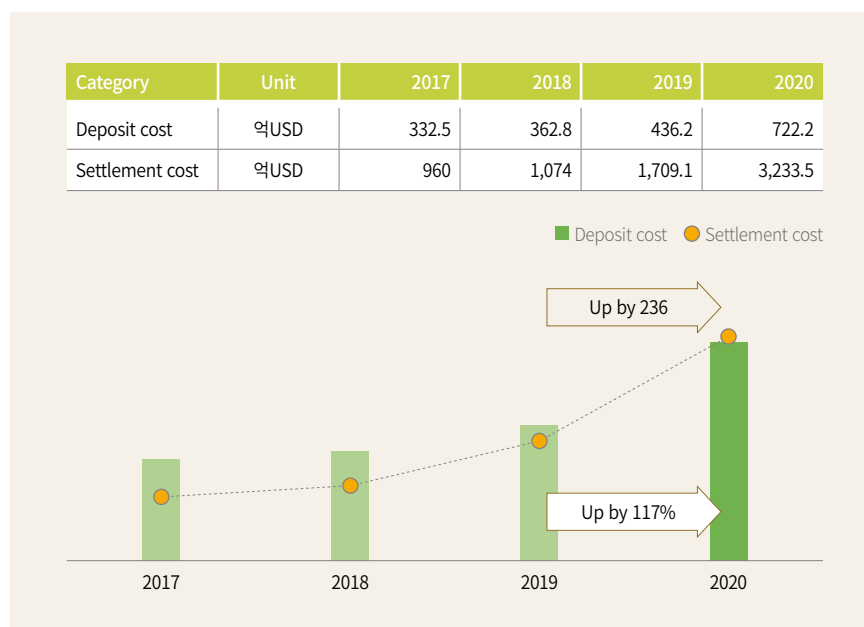


Expansion of Global Investment Service Support

Improvement of Investment Support Platform for Foreign Currency Securities

KSD has designated five foreign custodians in 40 markets around the world to provide comprehensive financial services including settlement, custody, and exercise of rights for domestic investors' investment of securities in foreign exchanges. In line with the recent growth of domestic individual investors' investment in overseas stocks, we upgraded our existing services to build a more efficient and stable foreign currency securities investment platform. By conducting business presentations for the entire securities companies and systematic marketing to attract new institutional investors, we managed to further expand the scale of holdings and activate investment of securities in foreign exchange. As the number of settlement processes for securities in foreign exchange surged, we expanded the automation of settlement process and introduced a partial settlement system in advance in line with the changes in the foreign market(EU) settlement system. As a result, we achieved a record-high of USD 72.2 billion securities in foreign currency holdings and USD 323.3 billion in settlement amount.

Performance of Investment Support Platform Improvement for Foreign Currency Securities



Improvement of Legal and Institutional System Regarding Foreign Currency Securities

In response to the rapid growth of overseas investment by domestic investors, we have carried out an examination of related legal requirements and regulatory systems¹⁾, along with a review of legal risks to strengthen investor protection. From December 2019 to November 2020, a legal and institutional improvement plan was prepared through internal and external consultation and feedback, and the resulting market impact was also analyzed. Establishing these improvement plans, we were able to reduce business risk and strengthen legal stability by bridging the gap between industry practices and regulations. Our plan is to support the Amendment to Arrangement on Capital Market Act and Financial Investment Business Regulations by the end of 2021 and promote complete revision of the “Regulations on Deposit and Settlement of Securities in Foreign Exchanges”.

1) Capital Market Act, Financial Investment Regulations and Regulations on Deposit and Settlement of Securities in Foreign Exchange

Enhancement in Operational Efficiency of Foreign Custodians

As the importance of foreign custodians has been highlighted due to the increase in investment of foreign currency securities, we undertook projects to improve the efficiency of five foreign custodians (Citibank, Euroclear, Clearstream, HSBC, Mirae Asset Securities Brazil) to provide stable improvement service support. We expanded our investment in human and material resources by inducing the expansion of operational manpower of each foreign depository and promoting the business automation process. Citibank, a major global custodian, opened a new office in Busan and commenced its business in 2021. In addition, we amended the custody contract to strengthen the burden of responsibility such as fee payment exemption in case of service quality deterioration due to negligence or recklessness of foreign custodians, enabling more stable and efficient foreign currency securities investment support for domestic investors.

Enhancement of Information Provision Function on Foreign Currency Securities

As the scale and target of foreign currency securities investment from the domestic investors have diversified, the necessity of systematic management and expansion of information channels for stable settlement and process of rights has also escalated. In order to implement the foreign currency securities information management system, we carried out a preliminary survey targeting the domestic securities companies, information providers, and reference institutions in August 2020 and established a basic plan for foreign currency securities information management. Based on the survey and technical assessment, we appointed and signed a contract with Refinitiv (formerly known as Thomson Reuters), a trusted global information provider, and completed the development of viewer system in December which can automatically send and receive information on the issues and rights of foreign currency securities related to settlement and deposit. We further enhanced the accuracy of information on foreign currency securities by operating new system and strengthen investor protection.

Expansion of Foreign Currency Securities Investment Service Support

We see growing demand of actively generating extra income with foreign currency bonds, thanks to the domestic investors' escalated utilization of foreign currency stock lending services. Following the 2019 introduction of "ASL," an automatic lending service for foreign currency bonds, KSD introduced "Clearstream ASL," a new lending service that increased the utilization rate¹⁾ by expanding the service scope in 2020. With new service in place, we paved a way for generating income utilizing the foreign currency bond holdings by providing various options such as the lending period, method, and redemption term based on the investment properties of holding long-term bonds.

1) Ratio of leased assets to loanable assets

Expansion of Korean Capital Market Infrastructure

-
- 1) KSP (Knowledge Sharing Program):
Korea's economic development knowledge sharing project for policy practitioners in developing countries utilizing ODA funds from the Ministry of Economy and Finance
 - 2) ASEAN+3 Bond Market Forum:
A council for bond market system improvement under ABMI (Asian Bond Markets Initiative)
 - 3) Cross-Border Settlement Infrastructure Forum:
A council for regional depository settlement infrastructure establishment under ABMI

Business Expansion of Capital Market Infrastructure

Based on the expertise of Asia's leading central depository, KSD is continuously undertaking projects to expand the Korean capital market infrastructure in developing countries in support of the government's inclusive financial policies and New Southern/Northern Policies. In 2020, we focused our marketing efforts in overseas business including the publication of capital market handbook surveying 19 countries around the world and production of promotional videos for international operations. Additionally, we dispatched private experts to CSD (Central Securities Depository) and ADB (Asian Development Bank) to promote new KSP¹⁾ projects in Mongolia and Uzbekistan.

Furthermore, we renewed the contract for IT system maintenance of KSEI (PT Kustodian Sentral Efek Indonesia)'s fund infrastructure "S-INVEST" and actively supported the policy of fostering the local bond market through ABMF²⁾ and CSIF³⁾. As a result of excellent overseas business capabilities demonstration, our personnel dispatched to Mongolia received the Ministry of Finance of Mongolia (MOF)'s Commendation and Medal of Honor in 2020. In 2021, we secured a project for "ASEAN+3 regional cross-border financial transaction revitalization consultation" from the ADB, and was selected as the institution of private expert dispatch for "Korea-ASEAN Financial Cooperation Center" organized by the Ministry of Foreign Affairs.

Enhancement of International Cooperation Network Capability

We have consistently strengthened our efforts in international cooperation network to create a favorable environment for overseas business promotion and information sharing with central securities depositories in Asia and the other countries around the globe. In 2020, due to the outbreak of COVID-19, the global network strengthening activities were also carried out in a contactless manner, such as contactless participation in various international conferences and overseas exchange activities including gaining insight into capital market trends with CSDs in each country, network enhancement, and PR for KSD business as well as publication of business guides and sales reports in English to promote the company to foreign investors. Despite the contactless inducements of COVID-19 protocols, we have strengthened our cooperation with global depositories and laid the foundation for business expansion with the active participation in international activities which increased by 70% over the previous year.

Expansion of Activities in International Organization Secretariat

Since 2017, KSD has enhanced its leadership as a global leading central depository by serving as the Secretariat⁵⁾ of the WFC (World Forum of CSDs)⁴⁾. In 2020, we managed three major WFC projects, including publication of the "World CSD Fact Book," unification of CSD global disclosure channels, and activation of CSD business data sharing portals. We also held a stakeholder workshop to reach mutual agreement on conflicts of interest between local CSDs as part of our efforts to strengthen our leadership roles and raised our reputation in the global CSD industry.

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- 4) World Forum of CSDs (WFC):
An association of depository and settlement companies in five regions (Asia Pacific, America, Europe, Eurasia, Africa) to which members from 163 organizations in 119 countries around the world have joined.
 - 5) Consecutively served as the WFC secretariat (WFC 2017 (Nov. 2017-Apr. 2019), WFC 2019 (Apr. 2019-May 2021)) for the first time since its foundation in 2011.

Development and Settlement Support of Risk-Free Rate (RFR)

1) Risk-free Reference Rate

We have been selected as an RFR¹⁾ agency by the government and continue to provide policy support for the development and settlement of short-term financial indicator rates by joining the alternative indicator development team organized by the Financial Services Commission. In order to present a methodology optimized for domestic RFR selection, we studied RFR candidates in major countries, selection procedures and methods, and common core selection criteria, as well as applying and examining the RFR calculation method of major countries to the domestic RP rate for the optimized methodology for Korean calculation. Additionally, we identified 16 detailed criteria and 38 analytical indices reflecting the selection criteria of the leading countries and domestic market situations and came up with RP interest rate statistics for groups of market participants. We also suggested a plan to improve the RP system, such as the RP CCP (Central Counter Party) to diagnose the risk of RP market and prepare an incentive system for the due date. In February 2021, we managed to finally select RFR as the RP rates for government bonds and MSBs, contributing to the transparency enhancement of financial market as it may now be used as a reference rate for signing a new contract.

Establishment of FundNet System

In response to the growing necessity of improved back-end business practices and government's policy to promote venture capital for innovative companies, we are driving the growth of the industry by establishing the Fundnet System, the only integrated platform for the Korean venture investment industry in 2021. In order to identify the need for back-end infrastructure enhancement, KSD organized an external working group composed of 12 companies including K-Growth Investment Corp., KSD, LP (Investor), GP (Operator), trustee, and innovative companies and held conferences as well as signing MOU with K-Growth Investment Corp. and Korea Venture Capital Association to build a close cooperation system and solicit feedback from the industry. We also supported the industry-specialized system by establishing an automated platform for delivering, processing operational instructions, and balancing investment assets between venture capital (investment associations) and custodian banks, along with the online platform of customized securities services for unlisted companies. By doing so, we have improved the efficiency and transparency of securities administration management, stimulated exemplary capital investment, and contributed to the growth of the venture investment by significantly reducing the risks associated with the management of investment assets.

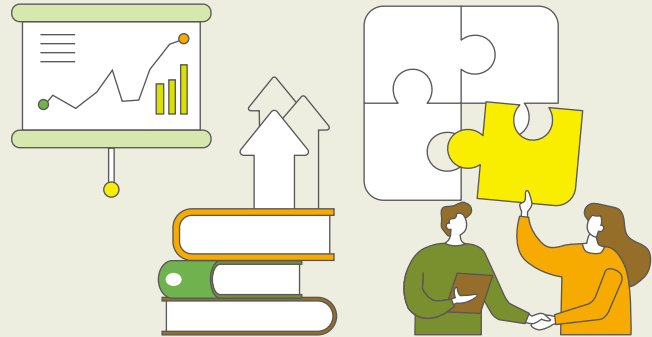
Establishment of Non-Marketable Asset Investment Platform for Private Equity Funds Transparency

Due to the nature of private equity funds, which has lower regulatory requirements than the public offering funds, demand for strengthened transparency to protect investors is growing. Accordingly, KSD established an investment platform in which 200 companies, accounting for about 80% of the industry, have joined to strengthen the management of non-marketable assets and has provided the service since June 2021. In particular, we established a cooperative system by organizing and operating an internal/external reference group and a T/F in the asset management industry supervised by the Financial Supervisory Service, and established a comprehensive implementation plan by reorganizing our divisions dedicated to Transparency Enhancement T/F. Additionally, a management system was introduced to establish standard codes and asset information sharing systems for non-marketable assets. By supporting mutual exchange and verification of private equity specifications (asset managers) and custody statements (trustor) through the balance exchange support system, we managed to ensure the transparency and credibility of the private equity market, thereby strengthening the competitiveness of the industry and laying the foundation for financial consumer protection.

Sustainable Management 02

02

Building a Corporate Culture of Mutual Growth



RISK & OPPORTUNITY



Securing the competitiveness of employees is a key for corporation to ensure sustainable growth in the midst of rapid changes in the global economy and intensifying competition at home and abroad. Companies are committed to strengthen the competitiveness of its employees by implementing a more efficient recruitment and talent development system while establishing various welfare systems as well as building desirable organizational culture in line with the social trend that values the work-life balance.

APPROACH



At KSD, we have systematic recruitment and training programs to secure and develop global financial talent with strong competencies and expertise. While improving the quality of jobs by transitioning temporary workers to full-time positions and expanding recruitment of regular workers, we are further strengthening the labor-management cooperation through practical welfare system, healthy work-life balance compatibility support, and flexible organizational culture. Along with these efforts, we are helping our employees to demonstrate their capabilities, boost their job performances, and grow with the company to reach their full potential.

KEY PERFORMANCE

671 Employees

Number of employees who have completed worker competency training

KRW **201,000**

Training cost per employee

38 Employees

Number of new hires in 2020

Honored with Commendation from Ministry of Employment and Labor.

'Government Commendation for 2020 Job Creation Merit' regular employment conversion section in public sector

Development of Global Financial Human Resource

KSD Talent

KSD has established four major talents suitable for globalization, specialization, innovation, and customer-oriented management directions to cultivate the best financial talents in the world and leap as an innovative financial platform that thrives with the market.

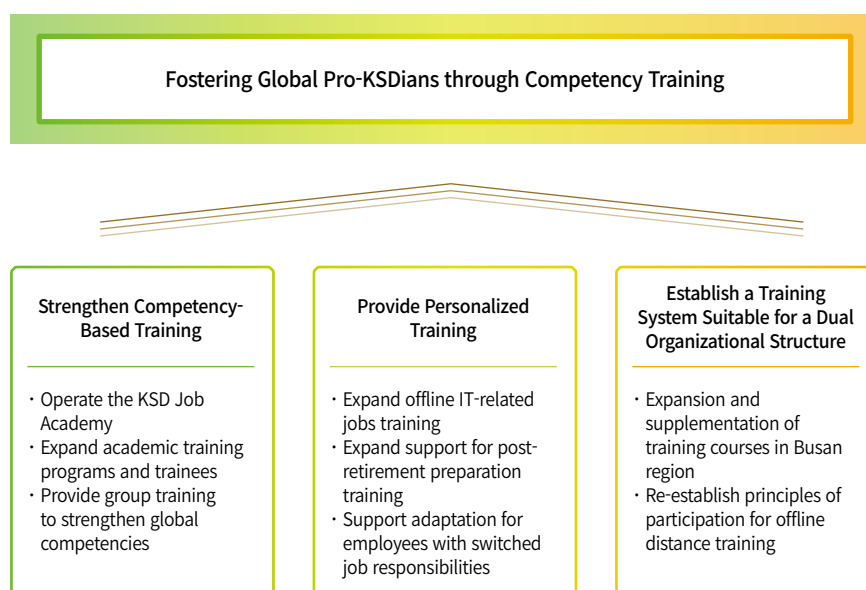
Talent



HR Development System

With the goal of fostering the “Global Pro-KSDians” as international securities service industry leader, we set up systematic talent development strategies to strengthen job competency training, organize personalized training, and prepare a training system tailored to the organization. Various development programs are in place to meet both internal and external requirements with classified training system of general skills, managerial skills, job skills, self-development, academic, self-funded, and other trainings.

HR Development System



Training System



Strengthening Job & Competency Training

Employee Competency Training

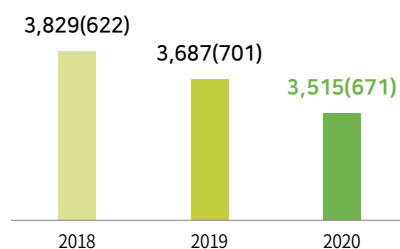
Through our competency training for all staffs, we are committed to develop job competency and strengthen expertise of our employees. The KSD Academy is focusing on the development of global talent by providing job training centered on departments in the field, organizing in-house language courses, and supporting foreign language test application fees. In addition, we regularly invite experts to give special lectures for all staffs.

Personalized Training Support

We have been providing leadership trainings for prospective department heads and newly appointed team managers along with online training course on corporate legal matters for less-experienced staffs. In addition, a junior job mentoring system was introduced for new employees to help them adapt to the work environment and learn the skills, whereas senior employees are provided with retirement support training and Life Innovation training as part of the retirement planning. Furthermore, we provide expenses for employees' job competency enhancement and self-development, as well as foreign language courses while supporting domestic and overseas master's programs through academic training for high-performing employees.

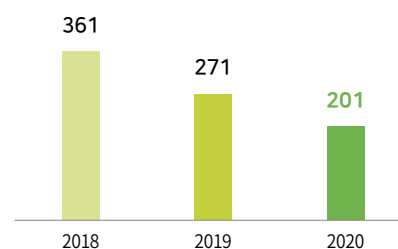
Job & Competency Training Statistics

(Unit: Case(Person))



Training Cost per Person

(Unit: KRW 1,000)



Job & Competency Training Results

Category	Program	Results in 2020
Competency Training for All Employees	Internal job training	<ul style="list-style-type: none"> No. of training sessions: 13 cases Total training hours: 3,436 hours No. of participants: 453 people
	Support for language courses and foreign language proficiency test application fees	<ul style="list-style-type: none"> No. of language course participants: 223 people (862 cases) No. of foreign language proficiency test application fee support: 149 cases
	Expert Lectures	<ul style="list-style-type: none"> Total sessions held: 4 sessions
Personalized Competency Training	Leadership training for new positions	<ul style="list-style-type: none"> Held 3 sessions in total
	Capital market online course and junior job mentoring program	<ul style="list-style-type: none"> Online capital market course: held monthly Junior job mentoring program: 49 people in total (Ran 2 months for 2019 new hires) * (Note) 37 people in total (Ran 3 months for 2020 new hires)
	Post-retirement training	<ul style="list-style-type: none"> No. of applicants: 124 people (287 cases) Amount of support: KRW 233.98 million per year
	Life innovation training	<ul style="list-style-type: none"> Minimum Support Price: For 9~13 months in total, KRW 10~12 million

Fair & Transparent Recruitment Management



Received a commendation from the Minister of Employment and Labor

1) System that additionally accept talent who relocated the province within -5 cut scores if the targeted recruitment ratio is unmet

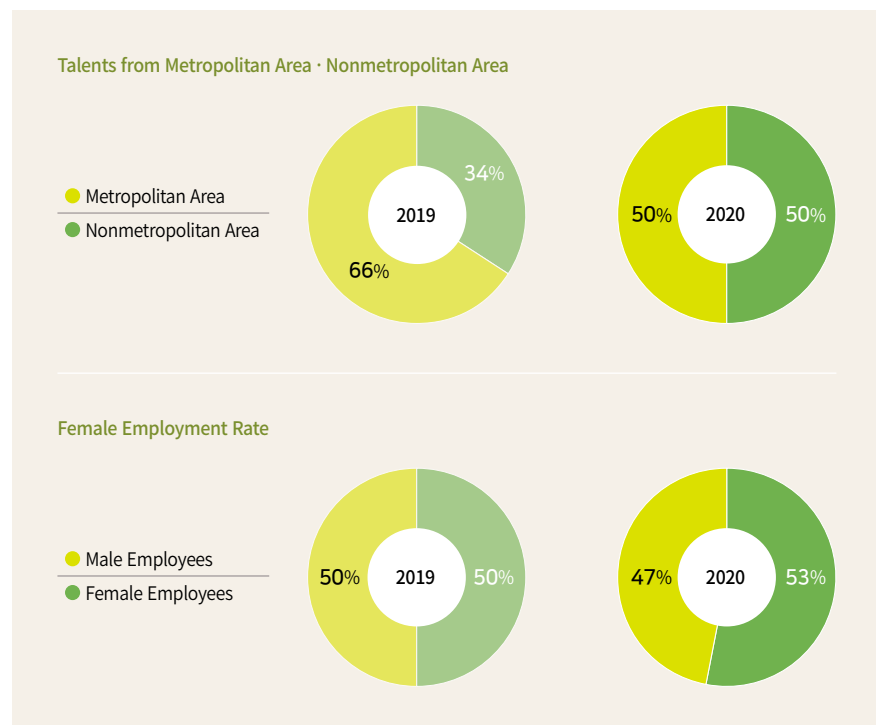
Increase in Regular Jobs

KSD has systematically followed the principles of regular job recruitment to actively engage in the government's 'Zero Temporary Jobs in the Public Sector' policy to resolve job insecurity and social polarization among temporary workers. Over the three years from 2017 to 2019, we have completed a transition of 176 employees in regular and continuous duties to full-time positions and filled two vacancies in the occupational groups subject to direct/indirect employment with regular jobs in 2020. These changes were done in accordance with the principle of recruiting regular employees in case of vacancies in regular and continuous positions. In addition, when there is a demand for new employees, we operate a pre-screening process system for non-regular jobs for temporary and intermittent positions. As of the end of 2020, the number of fixed-term workers was 6, a 65% decrease compared to 2018, thanks to our efforts to reduce non-regular jobs. In recognition of this achievement, we received a commendation from the Minister of Employment and Labor in the public sector at the 2020 Government Award for Job Creation.

Substantialization of Blind Recruitment

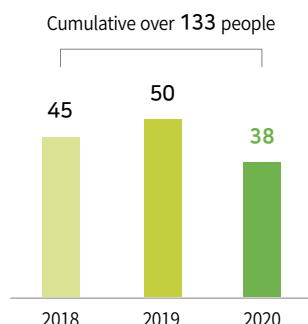
KSD is committed to provide equal opportunities for employment through a transparent and fair blind recruitment process that prevents any kind of discriminatory factors. In 2020, the application screening excluded any information unrelated to the actual job performance, such as school, major, family, gender, and age to only evaluate on the capacity of an employee. The essay test on capital market was also presented to verify applicants' job capacity. In addition, Lower Acceptance Limit for HR Recruitment¹⁾ was newly introduced for talents who relocated the province (Busan). As a result of blind recruitment of new hires, the ratio of female employees from non-metropolitan universities increased in 2020 that enabled us to talents from all different ages from 17 to 34.

Blind Recruitment of New Employees Results



Employment Status of New Hires

(Unit: Person)



Promoting the Improvement of Job Quality

Enhancing Adequacy of Fair Recruitment Management

To proactively respond to the changing work environment and business expansion, we systematically established manpower planning and endeavored to strengthen fair and transparent recruitment management. We developed a suitable recruitment plan by calculating the number of possible recruits and vacancies from retirement or other causes and implementing work environment analysis to decide the number of actual recruits. To secure a fair recruitment practice, recruitment agency was selected through open tendering to take charge of the entire recruitment process, and external evaluation committee members were appointed in charge of applicant screening and writing test assessment. Additionally, we announced the appeal system against the recruitment result in advance and verified the authenticity of the evidence at an early stage to ensure that there are no victims of good faith, making recruitment more transparent such as by providing a grade inquiry system to disqualified candidates for written test. As a result of these efforts, a total of 38 new employees were hired without any controversy or objection, securing highly capable human resources in 2020.

Improving the Treatment of New Regular Employees

KSD is committed to improve job qualities of temporary-to-regular workers to the same level as the regular staff to forge 'high-quality jobs'. For the total of 54 directly employed temporary-to-regular workers' better labor conditions, we have applied higher wage growth rate for professions in six other occupations including driving and improved wage level for professions in the safety field by increasing and newly establishing the work allowance. Additionally, we also provided team lead promotion opportunities for full time converted employees for the first time and also selected them as trainees by lowering the qualifications for academic training for the first time. In compliance with the 52-hour workweek system, we have implemented various types of work schedules including flexible work schedule, PC off system, and selective working hour system for those who often work overtime and during holidays due to the nature of their work and filled vacancies right on time.

At the same time, various efforts were made to improve the treatment of temporary-to-regular employment workers who were indirectly employed (subsidiary company). Following the contract of "Parent-Subsidiary Company's Labor Management Mutual Growth Agreement" in January 2020, where representatives of labor-management from both companies participated, we also regularly held town hall meetings and labor-management committee quarterly meetings to share the latest news. As a result, we improved the conditions of the working environment by providing workwear, hiring replacement workers, providing meal allowance for workers on holidays, and introducing alternative holidays. Furthermore, in order to improve employee competencies, we organized professional development programs for each position. Thanks to our efforts to improve the actual treatment of employees who converted to full-time positions, we have confirmed that they are smoothly adapting to the organization without any conflicts or complaints from other existing employees.

Protection of Employees Excluded from Full Time Conversion

We have implemented a policy to ensure stable employment for fixed term workers that were excluded from full time conversion by renewing the employment contract and improving the labor condition. By clarifying the renewal standards, we guarantee the expectation of employment contract renewal and support educational training along with welfare programs with no discrimination from the regular employees. In 2020, we decided to retain all of employees (2 people) according to the contract renewal standards that were excluded from full time conversion.

Employee Welfare Benefits and Organizational Culture

Health Promotion Program

To help employees maintain a healthy lifestyle, KSD operates various programs that provide regular health checkups and medical expenses for our employees while operating a fitness center in Busan headquarter and Seoul office for physical training. We have also introduced EAP (Employee Assistance Program) psychological counseling treatment program and employee wellness program to help relieve stress and maintain mental health stability.

Active Operation of Employee Club

In-house clubs were organized to support sound leisure activities of our employees and promote teamwork and friendship among them. Currently, there are about 20 clubs including tennis, ukulele, soccer, and violin actively running. With the active employee participation, we are forming activate communication and a consensus between generations.

New Employee Mentoring System

We have introduced a mentoring program for new hires where senior staffs provide guidance to help new employees adapt to the organization and improve their work performance. Mentors and mentees meet once or twice a month to participate in various activities together such as sporting, watching performance, and volunteering to help new employees adapt to the organization and learn their work quickly. However, due to the 2020 coronavirus outbreak, we have replaced the in-house mentorship program with small talk sessions like team lunch.

Strengthening Employee Communication

As a place for open communication and trust building between the managers and employees, we have consistently organized the “All Staff Town Hall Meeting with Chairman & CEO.” Through the town hall meeting, the Chairman & CEO and executives explained not only the current status of business management, but also held Q&A sessions on free topic. In addition, we go hiking with the Chairman & CEO for new hires to have the opportunity to listen to their grievances and make necessary improvement.

* The Town Hall meeting not held due to COVID-19 in 2020.

Key Welfare Programs

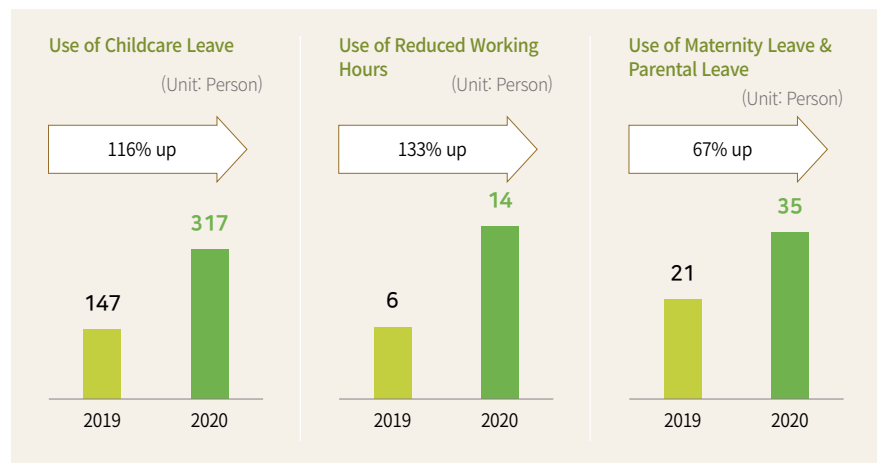
Life & Culture	Medical Treatment & Health	Congratulations & Condolences Allowance Support	Leave System
<ul style="list-style-type: none"> • Provision of housing and rental loans, corporate housing in Busan • Tuition support for children • Operation of corporate condominium and employee welfare fund • Operation of corporate childcare center 	<ul style="list-style-type: none"> • Implementation of regular health checkups • Medical expenses support 	<ul style="list-style-type: none"> • Congratulations & Condolences leave and allowance support • Disaster compensation and disaster relief grant support 	<ul style="list-style-type: none"> • Sick leave • Maternity leave • Annual leave • Childcare leave

Work-Life Balance

Improvement of Work-Life Balance Support Programs

In response to the government's work-life compatibility support policy, we are endeavoring our efforts in various ways to create a healthy organizational culture and maintain balance between work and life. With the 52-hour workweek policy in place in accordance with the Labor Standards Act, we are lessening excessive working hours and supporting the culture and leisure life of our employees. We have distributed balanced work between departments and personnel and introduced a flexible and selective working hour system. Additionally, we have further enhanced our support policies for childcare, including a reduction in working hours during pregnancy, maternity leave for spouses, childcare leave, and remote work, and reduced working hours for a child nursing period. By supporting successful employee work-life balance compatibility with various systems, we enhanced the level of job satisfaction among employees.

Improvement of Work-Life Balance Support Programs



Certified as “Excellent Family-Friendly Institution”



Certified as “Excellent
Family-Friendly Institution”

The family-friendly workplace certification is a system that provides certification to companies and public institutions with setting great examples of family-friendly programs such as childbirth and childcare support, flexible working hours system, and creating a family-friendly workplace culture. In 2012, KSD was selected as an excellent family-friendly institution by the Ministry of Gender Equality and Family in recognition of enhancing progress capacity by professional training for managers and realizing family-friendly organizational culture, and reacquired certification in 2020.

Improving Retirement Pension Operating System

As market interest rate continues to fall, the ROI on the retirement pension funds for employee's severance pay also continues to decline. KSD signed agreements with 9 companies in the securities, banking, and insurance industries to manage retirement pensions, but we promoted re-assessment and additional selection of the existing business operators to induce competition among management companies and increase profitability. Existing retirement pension operators and new bidding businesses were simultaneously assessed based on quantitative factors (e.g., financial soundness, proposed ROI, etc.) and qualitative factors (e.g., product offering capacity, additional services, etc.) and two additional companies were selected, one each from the securities and insurance industries as a result. Through the additional selection, 11 retirement pension managements were secured, and despite the dramatic base rate cut, the retirement pension management yield increased by 0.3%.

Stable Implementation of the Wage Peak System

Establishment of Working Hour Reduction System

KSD has been implementing a wage peak system after the labor-management agreement to reduce working hours for workers with 32-hour workweek schedule (a four-day workweek) since April of 2019. As of March 2021, a total of 60 employees which accounts for about 8.2% of the entire staffs are working as wage peak workers. In order to operate a stable working hours reduction system, we minimized the employment gaps by efficiently allocating the work and manpower and implemented a real-time holiday schedule management system. In preparation for the increase in wage peak system workers, we were able to establish a more efficient operating system for reducing working hours.

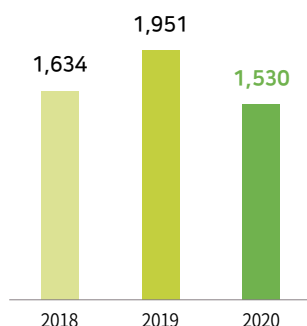
Efficient Implementation of the Wage Peak System

In order to ensure employment security of older employees and new employment capacity, the need to operate more efficient wage peak system has increased while fully complying with the government recommendations. For employees eligible for the wage peak system, we have suitable jobs to take charge in transfer of title, agency consulting, safe deposit box management, external cooperation, as well as contact center management, and assigned duties that taken into account the work experience and competence of each employee to keep them motivated to work. We also support training programs with external agencies selected by the employees during the nine-month period prior to retirement so that they can effectively plan their career path after retirement. Thanks to the efficient implementation of the wage peak system, we managed to improve the level of job satisfaction of targeted employees and saved financial resources to hire 38 new employees, exceeding our 2020 recruitment target.

Continued Implementation of Lax Management Normalization

In response to the growing social distrust of public institutions' excessive welfare expenses, a policy to normalize lax management has been implemented since 2014. However, under the decision that continuous monitoring and implementation are necessary in order to meet the public's expectations, various measures have been introduced both internally and externally. As part of the internal measures, we strengthened internal control to promote rational expenditure by establishing a second-level monitoring process after the first-level review on the use of welfare benefits from the event execution department. In this process, required approval for spending welfare expenses is obtained from the labor-management cooperation team and financial accounting team.

Welfare Benefits per Person
(Unit: KRW 1,000)



Externally, we have established a remuneration/welfare consultation network with public organizations in BIFC (Busan International Financial Center), public agencies under the Financial Services Commission, and other related institutions to cross-check the lax management of each organization. In 2020, the welfare benefit per capita was reduced by approximately KRW 660,000 (27.5%) compared to the previous year following the cut in expenses of souvenir and event planning. We will continue to restore public trust through sincere fulfillment of the government's guidelines for normalization of lax management.

Status of Implementation of Categories in Lax Management Normalization

Management & HR	Leave of Absence	Education expenses	Souvenir	Medical Expenses	Others
Deleted the labor agreement clause for restructuring	Maintained the reduction of emergency leave, and the abolition of vacation benefits for long-term employees	Maintained the abolition of elementary and middle school tuition assistance	Maintained the abolition of souvenir for long-term employee	Abolished the assistance of spouse's health check-up	Maintained the same amount of Disaster Recovery Grant of public officials

Diversity and Inclusivity

Building Labor-Management Relationship based on Mutual Respect



Wage & Collective Agreement Signing Ceremony

Results of Negotiations on COVID-19 Response Agenda

Content of the Agenda	Result of Negotiation
1. Postponement and cancellation of various internal and external events	Settled
2. Promotion of Employee Blood Donation	Settled
3. Full expansion of rotational remote work	Settled
4. Installation of protective glass walls for customer service desk	Settled
5. Allowing Out of Office to buy masks for official use	Settled
6. Deferred allocation of business meeting expenses	Settled
7. Temporary extension of taxi allowance for late night workers	Withdrawn
8. Additional issuance of corporate cards for each employee	Settled
9. Distribution of toolkit for infection prevention and immunity boosters to all employees	Partially settled
10. Assistance for COVID-19 PCR testing	Settled
11. Early payment of selective welfare points	Settled
12. Overseas travel advisory and alternatives	To be renegotiated

Female Talent Development Program

We provide a variety of programs to help our female employees demonstrate their competencies and grow as a department lead without any discrimination or prejudice. For example, with the “Female Talent Academy,” we are organizing training programs to improve the leadership skills of our female middle-managers. The program was implemented for any female department and deputy managers or female employees in higher level of managerial positions and a total of three employees successfully completed the course in 2021. We are expecting that strategically cultivating female leaders will contribute to the improvement of organizational culture and enhancement of corporate performance. In line with the “With Corona” policy, we plan to discover various offline training programs that can boost the educational effect and gradually expand the target for training later on.

Signing of Wage and Collective Agreement without Any Dispute

KSD’s labor and management signed a Wage and Collective Agreement without any dispute in 2020 through mutual respect and open communication. This is the result of determining the representative for bargaining between the two labor unions in accordance with the procedure stated in the Labor Relations Act, and reconciling the company’s bargaining principles with the union’s requirements in recognition of the need for solidarity between labor and management. By completing the Wage and Collective Supplementary Agreement that satisfies both sides of labor and management based on the mutual respect, we fully complied with the government policies and set an exemplary Wage and Collective Agreements.

Overcoming the Crisis Through Labor-Management Solidarity

In response to the long-term trend of COVID-19 pandemic, the labor and management took various initiatives for cooperation to overcome the crisis. In March 2020, an emergency meeting for labor-management council was held to propose 12 agenda items for rapid response to COVID-19 and concluded 10 agenda items through the negotiation process. Since April, the newly determined COVID-19 response policy has been fully implemented company-wide. These efforts, in which labor and management proactively responded to the government’s pandemic guidelines and swiftly responded to social crises, are expected to further solidify the positive-sum labor-management relationship.

Activation of Labor-Management Communication

We have been continuously expanding communication channels and programs to build a labor-management relationship with the foundation of trust and communication. In 2020, we actively promoted response to the labor-management issues through regular and permanent system of communication. We jointly responded to labor-management issues driven by the change in working environment such as the government guidelines with regular communication channels of regular labor-management executive meeting and labor-management council. For permanent communication system, a hot-line was established between the union and executives to discuss about the urgent issues. We also organized a hiking outing in January and joint labor-management workshop in July to share current labor-management issues to support and explore directions for the development of labor-management relations. Thanks to these activities, we were able to lay the foundation for a rational and healthy labor-management relationship to resolve issues with dialog and compromise.

Sustainable Management 03

03

Customer-first Management



RISK & OPPORTUNITY



As the importance of customer-oriented qualitative growth beyond performance-oriented quantitative growth grows, greater emphasis is being placed on the company's customer-first management. With the goal of maximizing customer value, various CS activities are being carried out to identify customer needs and reflect them on the overall management activities. On-Offline communication channels are also becoming more diversified in line with the changing environment to activate communication with customers.

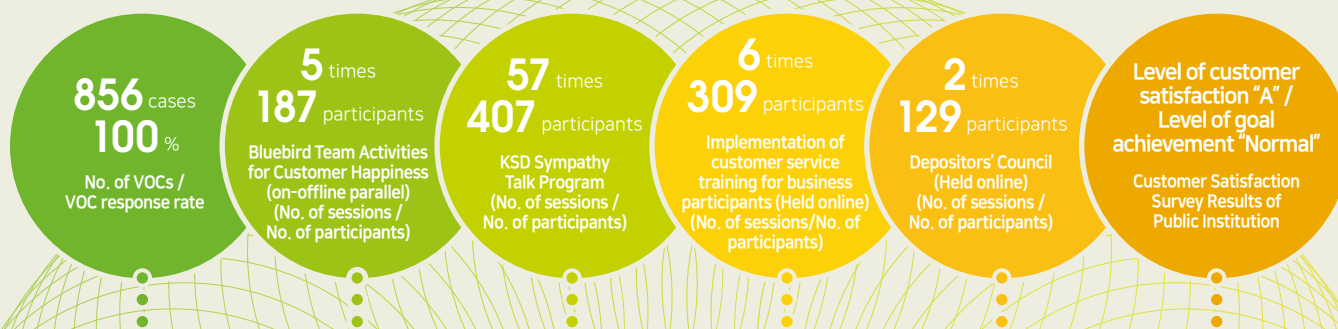
APPROACH



KSD has established a strategic system to realize customer-first management under the vision of becoming a reliable financial partner for customers in the rapidly changing financial market. We are operating various customized CS programs for each customer and region respectively and further expanding the on-offline communication channels to proactively identify the customer needs. In addition, financial customer training and financial education for local citizens and teenagers are also continuously taken place through the Nanum Foundation.

KEY PERFORMANCE

* As of 2020



Promotion of Customer Satisfaction Management System

Establishment of CS Strategy System

KSD is committed to becoming a reliable and trusted partner that grows on the basis of deep understanding in customer needs by providing professional services to the rapidly changing financial market. To this end, we have prepared and implemented a CS strategy system that incorporates the mission, vision, and strategy of customer-first management. We are also focusing on improving the quality of our services by establishing a customer service charter and performance standard of each duty.

CS Strategy System



Implementing CS Governance

To practice customer-first management, we have organized systematic departments in charge of CS Management Committee, CS Leaders Conference, and Customer Satisfaction & Support Center. The CS Practice Committee sets the direction for customer satisfaction management and promotes decision-making while the CS Leaders Council is responsible for improving CS-related activities and promoting them within the department. In addition, the Customer Satisfaction & Support Center is dedicated to the execution of the overall CS work process.

CS Organization



Activation of Sustainable CS Programs

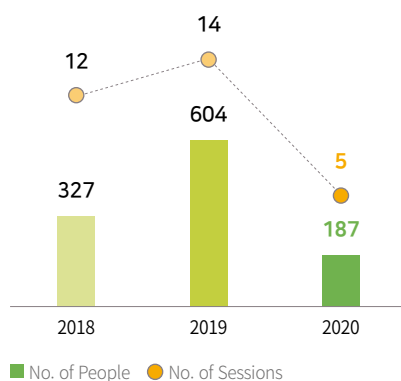
Bluebird Team Activities for Customer Happiness

As part of our key communication channel, the Bluebird Team for Customer Happiness has executed various activities to visit each customer and proactively respond to the inconveniences in the field since 2017. The team is composed of working-level managers, IT experts, and in-house lawyers. Based on the types and issues, they select and visit a location with a high density of customers and collect feedback to provide prompt improvement plans. The on-site visits continued to expand until 2019, but these were replaced with contactless channel in 2020 due to COVID-19.

KSD Sympathy-Talk Program

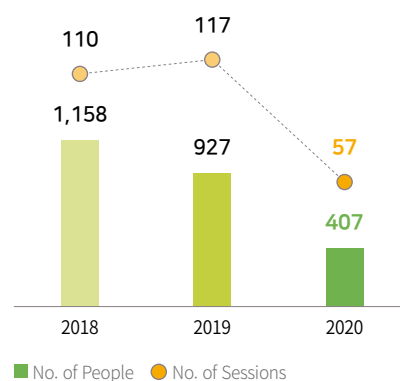
The Busan head office operates the KSD Talk Program to increase customer value through various activities including VOC (Voice of Customer), company tour, and customer small groups, along with CS Workshops in which business departments and VIP customers participate. Through various customer-focused activities, we are promoting mutual understanding and solidarity between business departments and customers. In 2020, face-to-face activities were limited, but more activities were organized with contactless channel due to COVID-19.

Status of Bluebird Team Activities for Customer Happiness
(Unit: Person, Session)



* The activities were limited due to COVID-19 in 2020.

Status of KSD Empathy-Talk Operation
(Unit: Person, Session)



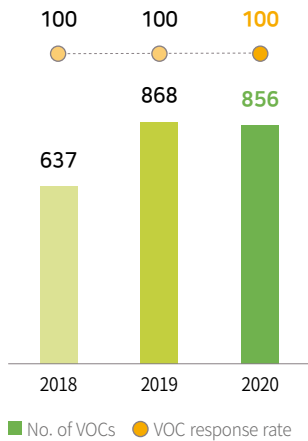
* The activities were limited due to COVID-19 in 2020.

Advancement of VOC Management System

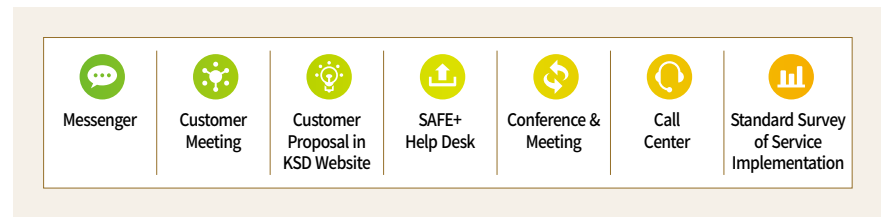
A variety of VOC (Voice of the Customer) channels were established to quickly identify customers' needs and comprehensively managed the feedbacks to incorporate in our business activities. We are operating an advanced VOC management system to provide feedback to customers on the status of the proposed measurement regarding the VOCs received through departments in charge as well as securing a compensation for executor and field-worker. Responding to all of the VOCs received in 2020, we were able to further consolidate the customer satisfaction.

Status of handling VOC

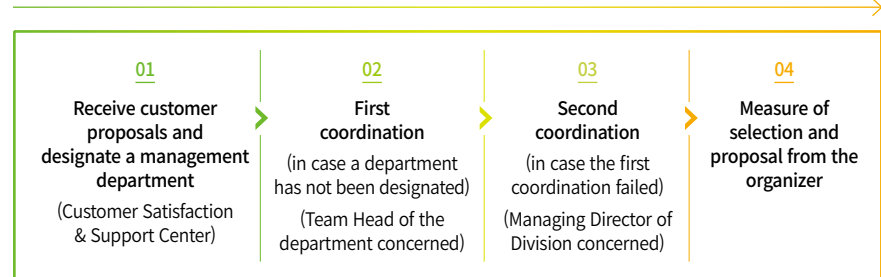
(Unit: Case, %)



VOC operational channels



Process of Designating VOC Management Dept.



Expansion of Online/Contactless Communication

In line with the transition to the digital era after the outbreak of COVID-19, we introduced a new contactless communication system in addition to the existing online channels. The main website has systematically rearranged a vast number of contents to enable users to easily find information they want and improved the accuracy of contents and user convenience once more. We are also promoting the use of social media by sharing corporate news and job relevant knowledges on YouTube and NAVER Post. Additionally, we introduced a drive-in workshop instead of the former face-to-face delivery for the very first time and used video conferencing system to continue our efforts in communicating with our customers in contactless manner.

Customer Satisfaction Monitoring

We are continuously conducting regular monitoring and internal customer satisfaction surveys to evaluate our CS activities that have been implemented to create customer values and supplemented the necessary improvements. Thanks to these efforts, we have actively practiced customer satisfaction management and acquired the award that honors institutions with excellent service quality, "Certificate of Excellent Service Quality (SQ) Institution in Korea" for three consecutive years since 2012. Going forward, we will further elevate the level of customer satisfaction by improving and strengthening our company-wide CS activities.

Results of Customer Satisfaction Survey in Public Institutions

Category	2018	2019	2020
CS Rating	S	Excellent ¹⁾	A / Moderate ²⁾
CS Score	95.9	94.1	94.1

1) Year of 2019: The level 4 assessment system remains the same whereas the title of grades has changed.
(S-A-B-C → Excellent - Good - Moderate - Poor).

2) Year of 2020: Dual announcement of ALIO with level of customer satisfaction "A" (A - B - C - D) / level of goal achievement "Moderate" (Excellent - Moderate - Poor)

Strengthening Company-wide CS Capacity

Performance of CS Training

CS Training for Customer Service Representative
Once a year
CS Lecture
1 hour training per person (As of 2020)

Providing Customer-centered Service

Hierarchical CS Training

At KSD, we conduct CS training to strengthen the employees' awareness and competency in regards to customer service every year. The CS training is being operated according to the characteristics of the employees of each level, such as CS training programs, specialized training for CS personnel, and MOT personnel training. To promote a more friendly and flexible response to customers' demands, we are carrying out CS competency training for leaders in charge of MOT, and organizing specialized CS training for customer service personnel.

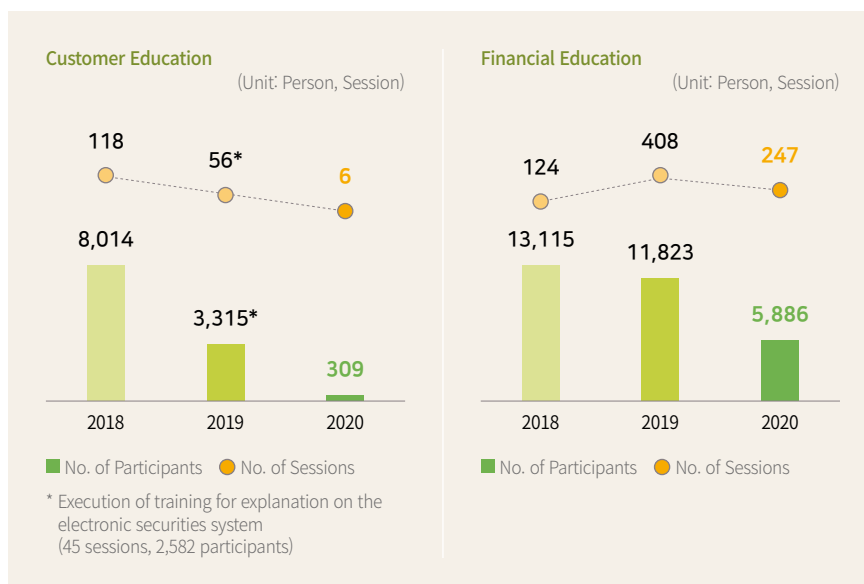
Employee CS Compensation System

To strengthen employees' commitment toward customer satisfaction, various CS compensation programs have been implemented for employees. By reflecting customer satisfaction scores in performance evaluation indicators, CS practice has been standardized so that it can be recognized as part of job performance. We also offer opportunities for advanced overseas CS training for selected personnel, and compensation is given to those with high Yes mileage and a perfect phone monitoring score.

Personalized Financial Education Program

In order to support the financial work process for customers linked to companies, we have developed and operated customized financial education programs. Based on these programs, we are promoting a better understanding of business and building stronger ties. We also continue to provide financial education to local communities and youth, who are potential customers, and work together with leading financial research institutes, helping them to achieve a desired economic outlook along with financial knowledge. Since the outbreak of COVID-19, these programs have been provided through online channels to further enhance convenience for customers. At the same time, we are committed to developing financial talent by organizing financial teams and subjects in connection with universities in Busan, Ulsan, and Gyeongnam province, as well as Qingdao University in China.

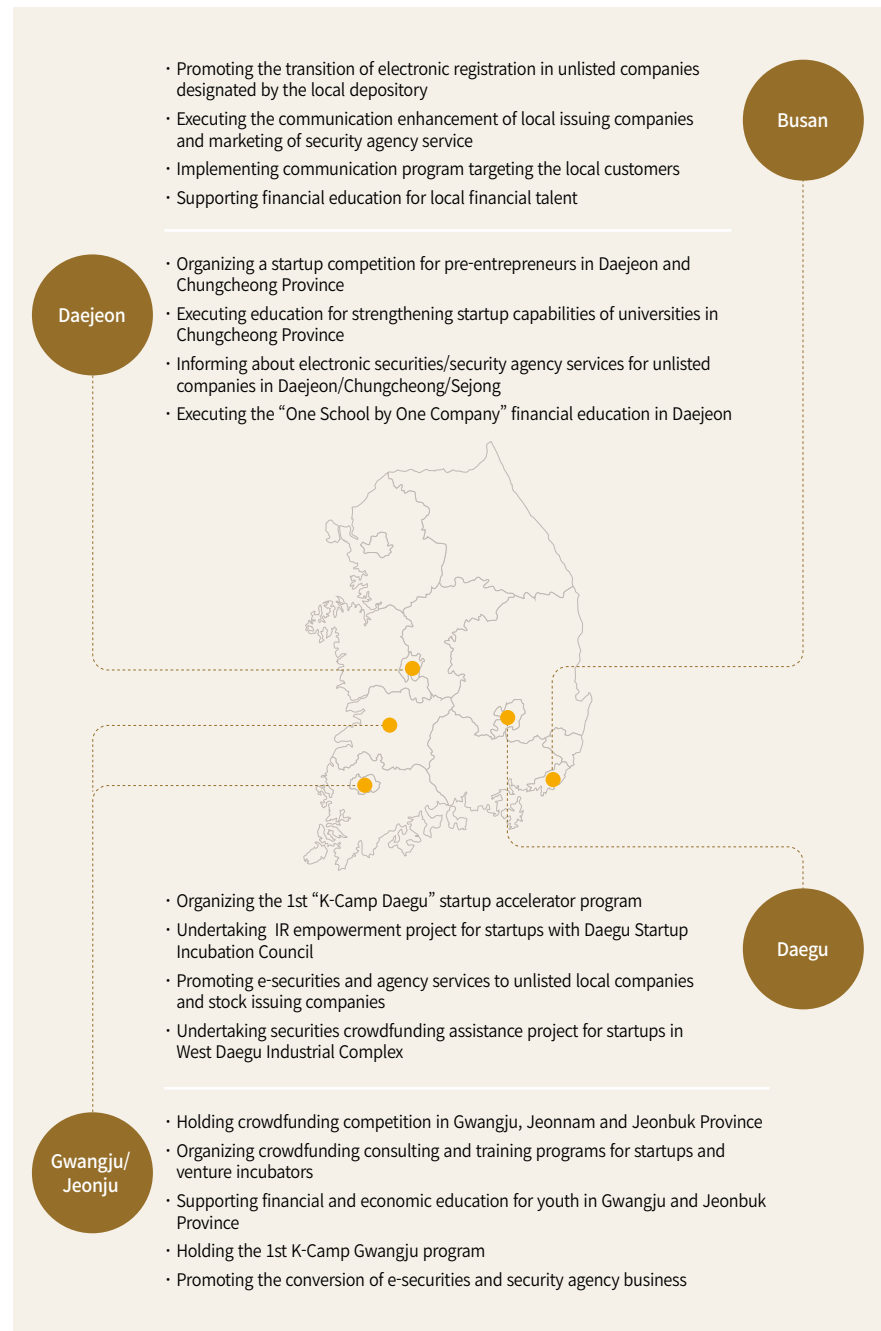
Performance of Customer Education Service



Customized Customer Service in Each Region

In order to boost local economy and contribute to the creation of high-quality jobs, we provide customized services specialized for each region in Busan, Daejeon, Daegu, and Gwangju/Jeonju. In addition to providing various support programs for the growth of start-ups and business ventures, including crowdfunding competitions, we identify customers' needs through on-site visits, customer meetings, and business training. Furthermore, we are increasing our support for value creation by providing financial education for young people, college students, and teachers.

Status of Customized Customer Services in Each Region

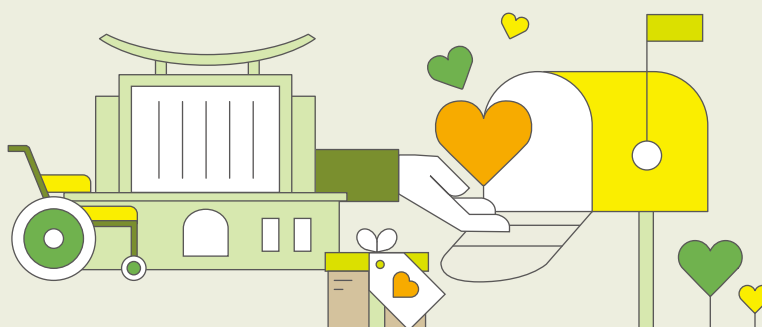


The 1st K-Camp Final Round

Sustainable Management 04

04

Advancement of Social Contribution



RISK & OPPORTUNITY



In response to the demand for CSR growing worldwide, many countries are establishing systems for the promotion of corporate social values. The government has also selected “public institution that leads the realization of social values” as one of its key projects and is putting a strong emphasis on their social responsibility. As a result, public institutions are required to fulfill their social responsibilities and roles in line with the public demand while maintaining close communication with the local community.

APPROACH



As a member of our society, KSD is committed to the development of the capital market by promoting “inclusive capitalism” and to share its values with society. In support of professional and strategic social contribution, the KSD Nanum Foundation was established to carry out various talent development projects and laying a foundation for self-reliance. Going forward, we will continue to support the sustainable growth of society through sustainable operation with the KSD Nanum Foundation.

KEY PERFORMANCE

* As of 2020

KRW **3.774** billion

Performance of
Annual Donation
Execution

5,886 persons

No. of Scholarship
Applicants

756 persons

No. of participants in
Financial Education
Program

Social Contribution Strategies

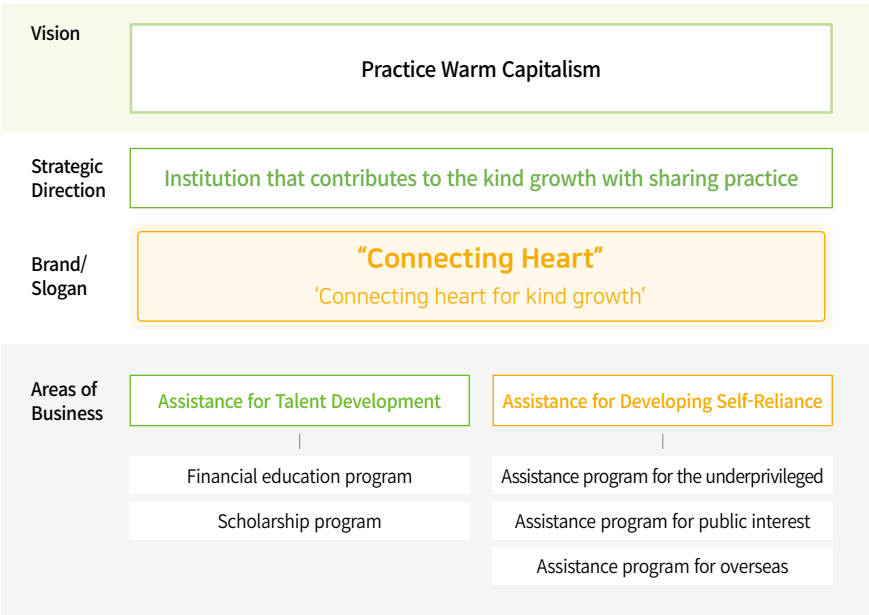
Our important goal of social contribution and corporate responsibility is intended to contribute to the development of capital market by practicing “inclusive capitalism” and to share its value with society. In addition to donation and sponsorship, we will lead a change to our society through CSR programs in line with our operations and make our society a better place to live.

Social Contribution Strategies



KSD Nanum Foundation

The KSD Nanum Foundation is a non-profit organization established in April 2009 by the KSD to give back to society. In pursuit of our vision of “inclusive capitalism,” we are organizing various sharing programs to contribute to sustainable growth under the brand slogan “Connecting Heart,” which means “connecting hearts for sustainable growth.” By setting “talent development” to support individual growth and “building a foundation for self-reliance” to support social growth as key business areas, we are enacting various projects to support financial education, scholarship programs, impact finance, and overseas CSR programs while helping the underprivileged.



Future Talent Development

Financial Education Program

We provide financial education programs in line with the life cycle of participants, from children to adults. These include hands-on financial programs linked to the KSD Securities Museum, special lectures on finance, and programs for specialized high schools. We also introduced life cycle financial education programs for younger generation as well as regular citizens. Together with Dream Start nationwide, we provide financial education programs for underprivileged children and personalized programs for children and adolescents with developmental disabilities, contributing to resolving social issues in terms of financial education.

Scholarship Program

To provide equal educational opportunities to children, adolescents, and college students, as well as contribute to promoting the value of the capital market and fostering future talent, we are offering scholarship programs. The “Dream Come True” scholarship supports elementary, middle, high school, and college students with financial difficulties. The “Dream Growth” (Performance-Linked) scholarships support students based to their results in the financial economy comprehension test, fostering financial talent who will lead the development of the capital market.

Assistance for Developing Self-Reliance

Assistance Program for Socially Vulnerable Groups and Public Interest

We support welfare projects selected through a public contest to build a foundation for self-reliance for the underprivileged and to eliminate blind spots in welfare. We are also committed to bringing hope to our local community through support and volunteer activities. Additionally, we are solving social problems and promoting public interest by supporting innovative and sustainable public projects with a focus on expansion and investment in impact finance ecosystem.

International Assistance Project

We are globally practicing sharing to promote rights of the underprivileged in developing countries like Indonesia, Vietnam, Mongolia, and Uzbekistan, and help them grow into a healthy society. Especially, we are consistently supporting Korean language program to foster global talent that is friendly with Korea and build a network for shared growth.

Operation of Securities Museum



Securities Museum (Busan Hall)

Securities Museum

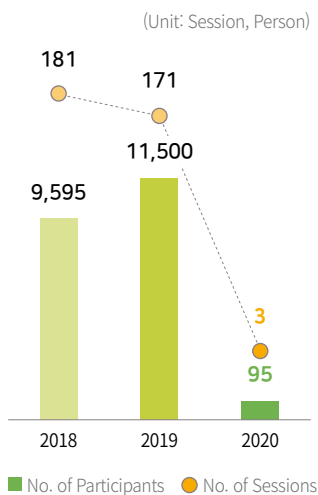
Established in 2004, the Securities Museum is the first museum to bring a focus to securities for their preservation, exhibition, research, and education of securities as many articles are disappearing due to the digitalization of securities. It has a collection of 9,500 securities-related articles issued at home and abroad, and exhibits more than 300 stock certificates from around the world that show the 400-year history of securities. The museum attracts many visitors every year, providing an opportunity to understand about the history and gain insight into the future of finance.

Securities Museum (Busan)

The Securities Museum Busan opened in December 2019 in Busan, the hub of international finance, to preserve stock certificates and inherit the history of securities. The role and importance of securities are discussed through collection, preservation, and research of historically important and rare stock-related items, as well as their exhibitions and education. It is also an open place that provides opportunities for cultural experience and communication for the local community.

Financial Education Utilizing Corporate Identity

Status of educational programs in Securities Museum




1) Children's integrated service support organization managed by the Ministry of Health and Welfare and operated by the city, county, and district to promote the healthy growth and development of vulnerable children under the Child Welfare Act

Education from Securities Museum

We are working with Securities Museums in Ilsan and Busan to provide customized financial education that allows people to experience financial-related exhibits showcased in the museum and accumulate knowledge. In addition to education on basic financial knowledge and investment, we offer a variety of programs tailored to the needs of each target group, such as the "Special Vacation Program" to help students learn the concept of securities in an interesting way, and the "Career Discovery Program" to learn about various careers in the stock market.

* In 2020, the financial education programs in Securities Museum were curtailed and suspended due to COVID-19.

Educational Programs in Museum for Securities

<p>Exhibition commentary program</p>  <p>Target Individuals/Groups</p> <p>Main contents Commentary from a professional commentator that enhances the understanding of permanent exhibition</p>	<p>Exhibition Interpretation Program</p>  <p>Target Individuals/Groups</p> <p>Main contents Selectable financial educations based on the educational needs</p>
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"Dream Start" Financial Education

"Dream Start Education"¹⁾, an onsite financial education program that helps to build economic and financial values, is targeted for the underprivileged children and their guardians to help them understand the need for economics and finance. The professional instructors for financial education visit Dream Starts in each region to help 1st to 6th graders understand the pocket money, finance, economy, and future finance with role playing and board game. Due to the spread of COVID-19, the program was held real-time online.

Status of "Dream Start" Educational Support

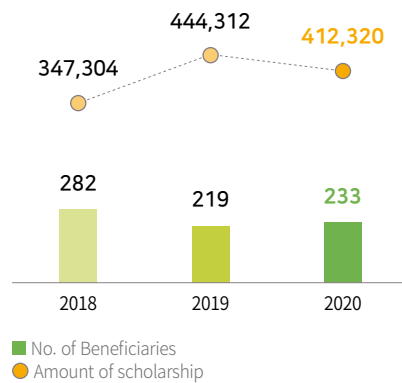


Love for Teenagers

We provide scholarships to teenagers and undergraduates who do the best in their studies even in difficult circumstances, thereby contributing to the expansion of Korean capital market value and cultivation of talent for future finance. We provide scholarships of KRW 300,000 to 900,000 per quarter for elementary, middle school, and high school students selected for the “Dream Come True” scholarship, and up to KRW 2 million per semester to undergraduates. We also run a “Dream Growth Scholarship Program” targeting vocational high school students to provide scholarship for the top academic performers in economic and financial literacy certification exams. Through these scholarship programs, we help students to dream big and grow as a leader of Korea’s future finance and economy.

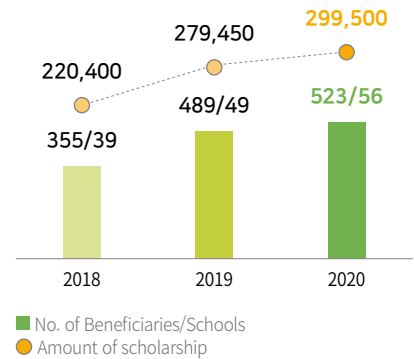
Status of Dream Come True Scholarship Operation

(Unit: Person, KRW 1,000)



Status of Dream Growth Scholarship Operation

(Unit: Person/Unit, KRW 1,000)



Love for Persons with Disabilities

Wheelchair Assistance for Disabled Children

Since 2012, KSD has consistently implemented nationwide wheelchairs donation project to children and teenagers with severe disabilities. The wheelchairs designed for children with disabilities is a specialized mobility equipment that not only guarantees the mobility rights of disabled children but also prevents secondary body shape distortion by helping them to maintain good posture. As of 2020, we have made wheelchair donations to give warm courage to the total of 320 children with disabilities.



Dream Growth Scholarship Program



Dream Come True Scholarship Program



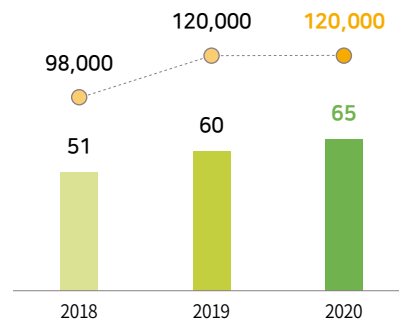
Opening Ceremony of Dream Come True Store #54

Assistance for Dream Come True Stores

Since 2015, KSD's "Dream Come True Store" project has been supporting disabled small-business owners by improving their business environment. By improving the environment of business sites for small business owners with disabilities, we not only raised their willingness to achieve economic independence, but also contributed to stable sales growth in the long term. As of 2020, a total of 63 Dream Come True Stores have opened to grow new hopes.

Status of Wheelchair Donations for Children

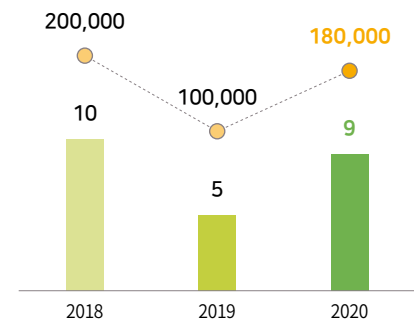
(Unit: Person, KRW 1,000)



■ No. of Beneficiaries ● Amount of Assistance

Status of Dream Come True Stores Assistance

(Unit: Person, KRW 1,000)



■ No. of Stores ● Amount of Assistance

Assistance for the Development of Local Community in Busan

1) A system that government certifies the amount of carbon absorbed by the forest in which the companies and local governments voluntarily carry out activities to maintain and promote carbon sinks.



KSD is committed to carry out activities to revitalize the Busan local economy and improve the environment in support of the balanced national activation which is the key government project. First of all, nine public institutions located in Busan are contributing to the growth of local economy by forming the BEF (Busan Embrace Fund for Social Economic Development). As a result, a total of KRW 4 billion was raised from 2018 to 2021 with the goal of raising more than KRW 5 billion by 2022. Nine public institutions have entrusted BEF to the RISE (Research Institute for Social Enterprise) to promote various projects including financial support and management consultation for social enterprise in Busan. Additionally, Citibank Busan Office was established as the first overseas financial institution to be hosted at the BIFC (Busan International Financial Center) in contribution of activating the Busan's Asian Financial Hub policy. Citibank Busan Office, which opened in June 2021, is in charge of deposit and settlement of foreign currency securities. Furthermore, in response to climate change and the need for environmental protection, the forest carbon offset project¹⁾ has been undertaken since 2018. In 2021, we have created school meditation forests at Geumgok High School and Chungryeol Middle School in Busan. From 2018 to 2021, KSD has created seven meditation forests at middle and high schools in Busan which contributed to the reduction of greenhouse gas emissions along with emotional support for the students.

Assistance for the Underprivileged

Traditional Market Shopping Event

Since 2011, KSD has been holding grocery shopping events at traditional markets with neighbors in need every holiday season. Our executives and employees formed a team in groups of three with Korean Red Cross volunteer and vulnerable elderly to shop ingredients for Korean traditional holiday at local traditional markets, thereby encouraging the elderly to enjoy a warm holiday. After the head office relocation to Busan in 2014, we have been holding the event in Busan on Lunar New Year's Day and in Seoul on Chuseok (Korean Thanksgiving Day). However, due to the spread of COVID-19, we have simplified the delivery method of donations (Onnuri Gift Certificates, shopping carts) from 2020.

Assistance for Supply of Venture Capital



Signed a business agreement with K-Growth

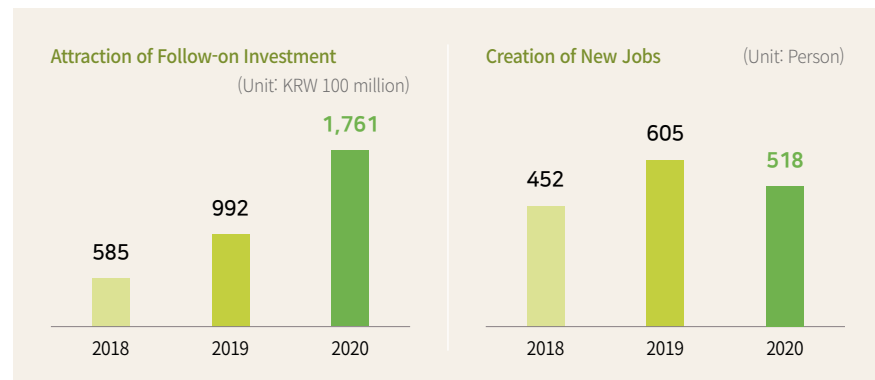


K-Camp IR Concert

Due to the COVID-19 pandemic and economic downturn, opportunities to attract high-quality investment and effective liquidity support are urgently needed along with the aggravated financial difficulties of startups, small and medium-sized venture companies and the deteriorated environment for investment attraction. At KSD, we have expanded the supply of venture capital by assisting the financial policy and attracting the investment for start-ups, SMEs, and venture businesses. In June 2020, we signed a business agreement with K-Growth to promote the joint creation of the “KSD Innovation Startup-Scale-Up Fund”. The Scale-Up fund will operate as a seeding and follow-on investment (3rd K-Crowd Fund) to promote crowdfunding and local venture investment (Local Venture Investment Fund) to revitalize the ecosystem for local start-ups.

In November, we held a “K-Camp IR Concert” to attract follow-up investment from successful crowdfunded businesses. Outside experts were invited for presentation companies to provide IR material production and mentoring for presentation. The success rate of investment has improved with the participation of 40 institutions (professional investors) including the Asan Nanum Foundation. Negotiations for investment are underway with the intention to make a follow-on investment of KRW 2.5 billion for 5 out of 9 companies. With these efforts, 142 successful crowdfunded businesses attracted a total of KRW 176.1 billion in follow-on investment with an increase of 77.62% from the previous year and created 518 new jobs with an increase of 18.9% from the previous year despite the COVID-19 crisis.

Performance of Attracting Follow-on Investment of Successful Crowdfunded Businesses and Job Creation



CASE.

‘K-Camp’ Acceleration Program for Job Creation

KSD has been contributing to the employment growth of innovative startups with ‘K-Camp’, an innovative startup accelerating program introduced in 2020. The K-Camp program provides comprehensive capital market-based incubation solutions suitable for each region and industry including one-on-one mentorship, customized networking, and IR training for early start-ups in non-metropolitan areas located in headquarter and branch offices (Busan, Daejeon, Daegu, Gwangju). Additionally, ‘K-Camp Final Round’ was held for the top K-Camp local companies and five companies that selected as the ‘Top Innovative K-Camp Companies’ were provided with securities-type crowdfunding subsidy. In 2020, we supported 58 companies and created 148 new local jobs in addition to successfully attracting follow-on investment of KRW 15.2 billion for the participating companies. In 2021, we plan to expand the program in Gangwon Province to build infrastructure for start-ups in non-metropolitan areas.



Global Social Contribution

Assistance for Korean Language Education

In order to enhance international cooperation in the capital market and promote the Korean wave in financial sectors while developing global talents, we have consistently provided Korean language education program in emerging and developing economies. Starting with Indonesia in 2014, we have organized Korean language program for financial market professionals in four countries, following Vietnam in 2016, Mongolia in 2017, and Uzbekistan in 2019. Especially, the program launched in 2019 was held online due to the spread of COVID-19 in 2020. As of 2020, a total of 389 participants have completed the program and opportunity to visit South Korea is given to those with outstanding grade.

Status of Korean Language Education Assistance

(Unit: Person)

Category	2018	2019	2020*
Indonesia	25	15	-
Vietnam	33	15	-
Mongolia	50	50	-
Uzbekistan	-	27	-

* The Korean language program was not conducted in 2020 due to COVID-19.

Improvement of Educational Environment

We have been working on projects to improve poor learning environment as part of the global social contribution to support the underprivileged and the growth of local communities in developing countries. In Mongolia, we have renovated sports facilities, painted fences, and remodeled the abandoned auditoriums in two schools located on the outskirts of Ulaanbaatar since 2018. In the following 2019, we have renovated the run-down auditorium facility and installed new equipment in one Uzbekistan school. Improving the educational environment will help students study in a safer environment to pursue their dreams.

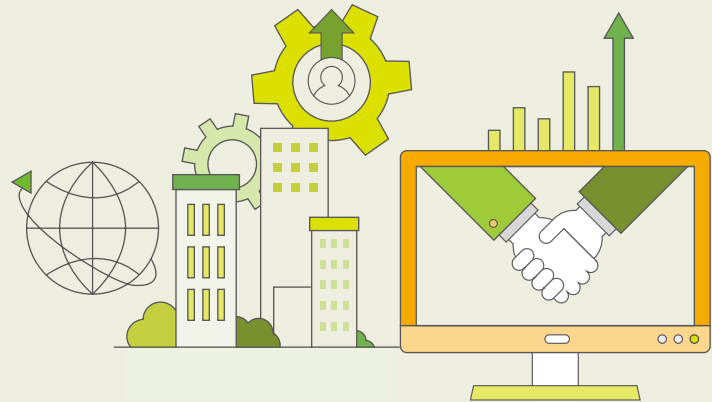


Global Assistance for Korean Language Education

Sustainable Management 05

05

Creating Jobs and Promoting Mutual Growth



RISK & OPPORTUNITY



The 'Job Economy' is always the key part of 'Income-Led Growth', the government's fundamental economic policy. In order to solve employment challenges posed by COVID-19 pandemic, the government recognized 'Job Creation' as the starting point to quickly recover from the economic shock and ensured an economic recovery with the National Administration. To this end, public institutions should be the foundation for sustainable economic growth by creating high-quality jobs in recognition of its roles and realizing healthy social values through mutual growth.

APPROACH



KSD has set a goal 'Pursue Sustainable Growth by Creating Quality Jobs and Boosting the Social Economy' with five main directions for job creation and various tasks to grow in both quantity and quality. In line with the government's job policy, we are laying the foundation for sustainable economic growth of our society and mutual growth of social enterprises and SMEs by carrying out activities such as creating high-quality jobs, supporting the socially disadvantaged, and systematically implementing the principles of regular employment.

KEY PERFORMANCE

Direct **2,557** people
Indirect **3,717** people
Private Sector Job Creation
(2018-2020)

Elderly, women,
low-income groups
52 people
Provision of Customized
Employment for the
Underprivileged
(2018-2020)

About
KRW **700** million
Fee Remission for
Social Businesses
(2018-2020)

Creation of Quality Jobs

Based on the principle of job-oriented government operation, the government continues to expand and strengthen the role of public institutions that can lead in the private sector. In line with this effort, KSD has organized Social Value Department and established a comprehensive promotion plan to implement job creation that is both comprehensive and systematic. In 2021, we have strengthened our assistance for each group of beneficiaries including the elderly, women, and low-income groups and actively participated in the creation of quality jobs through collaboration with the local communities.

Implementation System



Establishment of Comprehensive Job Promotion Plan

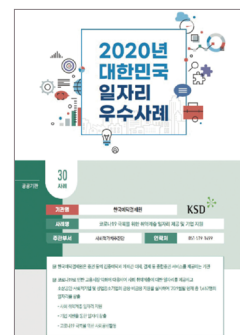
The Job Creation T/F was established in 2018 to support the creation of quality jobs which is the top priority of government projects. Since 2018, the T/F has established 'KSD Comprehensive Job Promotion Plan' every year to promote job creation at a company-wide level.

October 25, 2017	Organized 'Job Creation Committee' and 'Job Creation T/F' for systematic job promotion
February 26, 2018	Established 'Job Creation Headquarters' by expanding employment organization to lead job creation of public institutions
March 8, 2018	Established 2018 Comprehensive Job Creation Plan (69 tasks in total)
February 27, 2019	Established 2019 Comprehensive Job Creation Plan (72 tasks in total)
March 10, 2020	Established 2020 Comprehensive Job Creation Plan (81 tasks in total)
May 11, 2020	Job Creation T/F → Social Value Department* reorganization * Expanded the role of dedicated organization for comprehensive and systematic implementation of social value creation projects
February 1, 2021	Established Social Value Department as a official department for systematic creation of social values
April 30, 2021	Established 2021 Comprehensive Job Creation Plan (82 tasks in total)

●●● Best Practice.

Successful Creation of Quality Jobs and External Awards

Our commitment to create quality jobs has been recognized as the best practice not only by the government and authorities, but also by related industries. In order to lead job creation in the public sector, we have established the 'Job Creation T/F' in October 2017, and now operating the 'Social Value Department', which has been expanded and reorganized to include various social contribution programs. 'The Comprehensive Job Creation Plan' was established to select and carry out 81 employment tasks in 2020. In response to the impact of COVID-19 on employment market, we have created a total of 1,651 works by providing jobs for the socially vulnerable and assisting in both financial and non-financial support for small business owners, social enterprises, and start-ups. In recognition of such social contribution activities to overcome COVID-19, employment assistance for the socially vulnerable, and job creation through corporate support, we were selected as the '2020 Best Practice for Jobs in Korea' by the Presidential Committee on Jobs in December 2020. We also received commendation from the Minister of Employment and Labor, the '2020 The Government's Prize for Contribution of Job Creation' in the public sector's conversion to regular employment, and won the '2020 Employment of the Year' Grand Prize in employment support sector hosted by Chosun Ilbo for two consecutive years.



2020 Best Practice for Jobs in Korea

Coexistence Type of Job Creation Assistance for the Vulnerable Groups

In response to the employment crisis of the vulnerable groups that has worsened by prolonged COVID-19, we are creating coexistence type of jobs for the elderly, women, and low-income families. We are carrying out several programs such as the 'Green Dream Keeper Project', in which the elderly provide and manage vertical gardens made of air-purifying plants at social welfare facilities, 'Female Quarantine Expert Project' for unemployed middle-aged women to offer daily quarantine services in vulnerable facilities like the local children's centers, the 'Total Clean Master Support Project', where low-income residents visit vulnerable families with children and provide comprehensive household services such as cleaning and laundry. Thanks to these projects, a total of 146 people from the vulnerable groups were provided with meaningful mutual-growth-jobs from 2019 to 2021.



Green Dream Keeper



Life Quarantine Expert



Total Clean Master

Reinforcement of local youth's employment competency



KSD Finance & Securities Open Campus

Since 2019, we have operated the 'KSD Finance & Securities Open Campus', a job training program for students and graduates in Busan as a public institution relocating to Innovative City in order to support the local talents. In partnership with the Busan Economic Promotion Agency, students and graduates from Pusan National University, Pukyong National University, and Dong-A University, were selected and the internal employees gave lectures on electronic securities and clearing payments along with the lectures on job responsibilities and recruitment guidance. Thanks to this program, we have supported 105 young people to develop job competency for three years since 2019 to 2021.

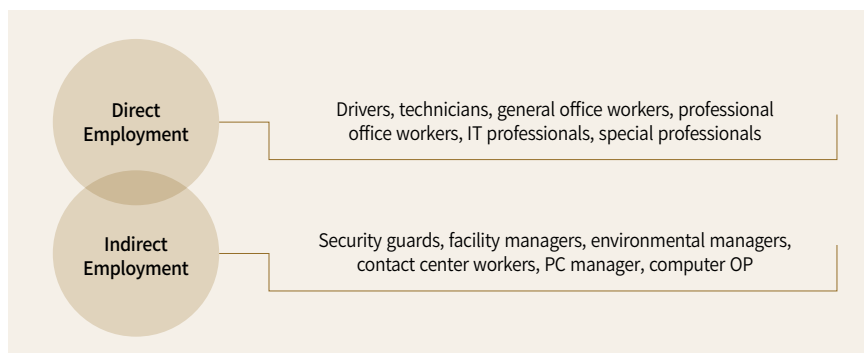
Systematic Implementation of the Regular Employment Principles

It is important to take the lead in solving the problems of unstable jobs of temporary workers and social polarization. At KSD, we are committed to improve the quality of employment by converting contractors into regular status and actively participate in the government's 'Conversion of Temporary to Regular Staff Policy' by systemically implementing the recruitment principles of regular employment. As a result, the number of temporary jobs saw a decrease of 65%, which reduced from 17 in 2018 to 6 at the end of 2020. In recognition of these achievements, we received a commendation from the Minister of Employment and Labor, the '2020 The Government's Prize for Contribution of Job Creation' in the public sector's conversion to regular employment.

Completed Conversion to Regular Jobs

In compliance with the government's 'Guideline for Conversion of Temporary to Regular Staff', KSD has completed the conversion of 176 workers from regular and continuous duties whom have worked over three years from 2017 (September 2019). The conversion was conducted using a Two-Track method by establishing a subsidiary company, in which the specialized and dispatched workers were directly hired and service workers in the field of security and environmental cleanup were indirectly hired.

Occupational Group of Regular Employee Recruitment



Operation of Pre-Screening System for Non-Regular Jobs

In order to limit the employment of temporary status, we are operating a pre-screening system to hire contractors only when there is a new demand for manpower in temporary and intermittent duties. To this end, the department requiring the manpower should prepare and submit detailed job description and specification as the HR department restricts the recruitment if it is determined to be a regular/continuous duty.

Implementation of Employment of Regular and Continuous Jobs

In case of vacancies in permanent/continuous jobs, regular employees are hired in principle. In 2020, vacancies occurred in both the direct and indirect employment groups and were filled by regular jobs (1 fund administration manager, 1 indirectly hired security position).

Coexistence Management

In support of the government's 'Social Economy Revitalization Policy', KSD has been providing financial assistance to start-ups and SMEs through coexistence financial project and investment in the KOSDAQ Scale-up Fund. We are also committed to boost the local economy. In addition, we are striving to revitalize the local economy by supporting social enterprises with purchasing SME products first, reducing fees, and operating K-Camp accelerating program to support innovation and startup companies from the alienated area with no startup infrastructure or non-metropolitan area.

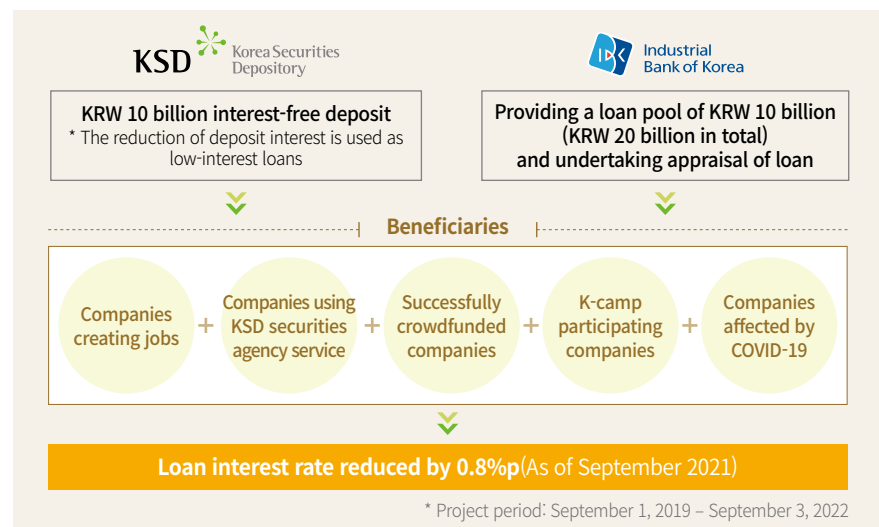
Selection of Sustainable Partner Enterprises

We select and establish sustainable partner enterprises with thorough examination on financial soundness, corporate credit, quality, and delivery performance. We also conduct an annual survey of the external integrity level of our partners to check its integrity and corruption status, and require them to sign a pledge of integrity and fair practice as part of our sustainable management. In the event of any violation, we apply strict measures such as the bid cancellation, contract termination, and restriction on qualification of the future bidding.

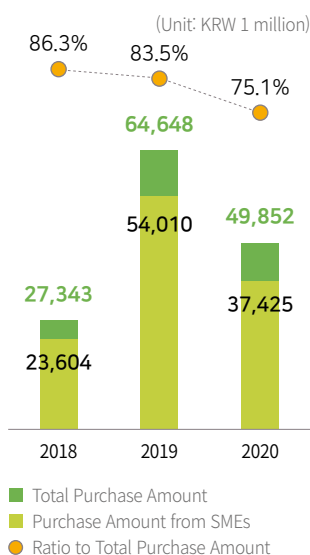
Financial Assistance for Start-Ups and SMEs

In partnership with IBK (Industrial Bank of Korea), we operate the "Coexistence Financial Project" to provide low-interest loans to start-ups and SMEs by creating a pool (line of credit) of KRW 20 billion in total. A total of 111 start-ups and SMEs were able to take out a loan of KRW 21.05 billion at an interest rate that is 0.8%p lower than the existing rate from September 2019 to September 2021. In addition, we are helping the smooth growth of KOSDAQ companies that were alienated from the investors with financial support through investing KRW 16 billion (KRW 4 billion in 2018, KRW 8 billion in 2019, KRW 4 billion in 2020) in the KOSDAQ Scale-up Fund that is expected to raise up to KRW 20 billion by 2021.

Overview of Coexistence Financial Project



Status of Purchases from SMEs



Purchase of SME products

As a result of our utmost effort to purchase products from SMEs, the ratio of purchasing SME products to the total purchases reached 75%. We are committed to support the sales and channels of SMEs by exceeding the statutory requirements for public institutions to purchase SME products at least 50% of the total purchase amount.

Assistance for Social Enterprises

In order to lessen the financial burden of social enterprises and best employment companies (designated by the Ministry of Employment and Labor), we have reduced the fee by KRW 700 million for three years from 2018 to 2020. The target for fee remission from November 2018 to the end of 2022 includes securities agency, registration of bonds, electronic short-term bond issuance, electronic voting management, E-proxy, LEI, access to information, and overseas securities management fees. In line with this, three outstanding companies were rewarded with KRW 10 million as an incentive for their priority purchase of social enterprise products (KRW 260 million) based on SVI (Social Value Indicator: an index that measures the level of social value created by social enterprises).

Performance of Social Enterprises Assistance

Category		2018	2019	2020	Total
No. of Companies Applied	Social Enterprises	8 companies	26 companies	28 companies	62 companies
	Best Employment Companies	7 companies	45 companies	66 companies	118 companies
Amount of Fee Reduction		KRW 14 million	KRW 247 million	KRW 448 million	KRW 709 million

Raising BEF (Busan Embracement Fund for Social Economic Development)

In order to revitalize the local economy as a public institution relocating to Innovative City, nine public institutions in Busan are jointly raising a fund for social economic support. KSD has contributed more than KRW 100 million to the joint fund every year and assisted a total of KRW 490 million in four years from 2018 to 2021. The fund is used for financial support for social enterprises, management consultation, crowdfunding, Social Value Forum, the establishment of social cooperatives, and the development of BEF talents, building a foundation for revitalization of social economy in Busan.





BEF Performance Data (Accumulation of 2018 - 2020)

Project Title	Project Description	Performance of 2018	Performance of 2019	Performance of 2020
Financial Assistance	Free investment and interest-free loans for social enterprises	KRW 500 million for 15 companies	KRW 600 million for 24 companies	KRW 680 million for 25 companies
Crowdfunding	Assisted participation of social enterprises in crowdfunding	KRW 50 million for 13 companies	-	KRW 160 million for 30 companies
Talent Development	Introduced Business Academy and Idea Contest	8 teams completed the academy	21 teams won the idea contest	12 teams completed the academy; 25 teams won the idea contest
Management Consultation	Professional consultation for HR, labor, and accounting practices.	13 consultation sessions with 9 companies	23 consultation sessions with 16 companies	35 consultation sessions with 34 companies
Social Value Forum	Opened with the aim of expanding social values in Busan	1st session was held ('18.11.28)	2nd session was held ('19.12.18)	Cancelled due to COVID-19
Contribution to Government Policy	Assistance for the establishment of social cooperatives and the projects related to Korean New Deal	-	-	Opened Olmam Library, Built Smart Farm

Provision of K-Camp Accelerating Program

KSD has implemented the K-Camp Accelerating Program for early start-ups in non-metropolitan areas to reduce the concentration of infrastructure and to revitalize the local startup ecosystem. In 2020, we discovered 58 start-ups in Busan, Daejeon, Gwangju, and Daegu, and provided comprehensive incubation solutions suitable for regional and industrial characteristics including one-on-one mentoring, customized networking, and IR training. In consideration of the COVID-19 pandemic, the investment attraction of participating companies that accommodates a large number of investors was held as an on and offline demo day using video conference programs for interactive Q&A session. In this way, the 2020 K-Camp participants raised about KRW 15.2 billion for follow-on investment and created 137 new local jobs. In September 2020, we have signed an “Agreement on the Assistance for Local Innovative Startups” with Gangwon Provincial Government to spread K-Camp program in Gangwon Province, thereby expanding the infrastructure for startup assistance in non-metropolitan areas.

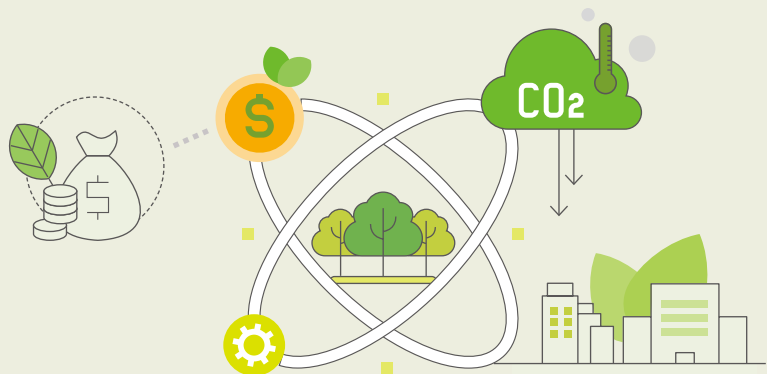
Performance of 2020 K-Camp Accelerating Operation

Region	Program	No. of Participants	Key Achievements
Busan/Ulsan/ Gyeongnam		1st	Investment secured: KRW 1.87 billion Jobs created: 27 people
		2nd	Investment secured: KRW 1.98 billion Jobs created: 33 people
Daejeon/ Chungcheong		1st	Investment secured: KRW 3.15 billion Jobs created: 26 people
Gwangju/Jeolla		1st	Investment secured: KRW 7.62 billion Jobs created: 36 people
Daegu/Gyeongbuk		1st	Investment secured: KRW 580 million Jobs created: 15 people

Sustainable Management 06

06

Establishment of Green Finance Infrastructure



RISK & OPPORTUNITY



The crisis triggered by environmental pollution and climate change has emerged as a global threat that everyone must solve together. Each country is strengthening the environmental regulations and implementing carbon policies and related systems. The Korean government is also promoting Green Growth policy as a key project to secure a growth engine for eco-friendly technologies while responding to climate change and reducing environmental impact. We aim to reduce greenhouse gas emissions by 40% compared to 2018 by 2030 with the goal of 'Achieving Zero Carbon Emissions' by 2050.

APPROACH



In order to preserve resources for the future generation and maximize the efficiency of limited resources, we have been promoting company-wide eco-friendly management activities. We also have been actively participating in the initiatives to reduce greenhouse gas emissions and environmental impact on local communities by engaging in forest carbon offset projects, establishing green finance infrastructure, and operating green offices. Going forward, we will continue to position ourselves as a public institution leading in carbon neutrality and fulfilling social responsibility in response to the government's Green Growth policy.

KEY PERFORMANCE

65.8 %
Percentage of eco-friendly vehicles usage

* Increased by 5.3% as of 2020 in comparison to 2019

KRW **4.82** million
Amount of green purchasing

Building Meditation Forests in Schools

Geumsa Middle School
Daseon Middle School

Company-wide Eco-friendly Management

In order to efficiently use and preserve limited resources, continuous efforts are being made by participating in forest carbon offset projects through the school meditation forest development project and building low-carbon financial infrastructure. In response to climate change, we will recognize that the low-carbon green growth is the key to our survival strategy and continue to promote company-wide eco-friendly management programs.



Completion Ceremony of Meditation Forests at Schools



Forest Care Volunteer Activities

CASE.

Forest Carbon Offset Project

The Forest Carbon Offset Project is committed to increase the absorption of forest carbon through the voluntary participation of public institutions, private organizations, corporations, and people where the Korea Forest Service certifies the amount of CO₂ absorbed by the forest restoration with an objective and transparent process. KSD has signed an MOU with the Korea Forest Service and Pyeongchang-gun Office in 2012 for birch tree forest restoration of 24,462m² and acquired the forest carbon absorption certification for the first time in Korea in 2017. Since 2018, the School Meditation Forest Creation Project has been promoted with the local community and has been used as a venue for students' emotional cultivation and ecological education.



Before building the Meditation Forest

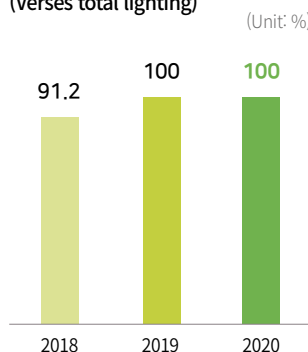


After building the Meditation Forest

Results of Building Meditation Forests at Schools

Category	Year of 2018	Year of 2019		Year of 2020	
Name of School	Gaeseong High School	Songjeong Middle School	Geumjeong High School	Geumsa Middle School	Daseon Middle School
Date of Completion	May 9, 2018	June 4, 2019	November 11, 2019	April 29, 2020	October 22, 2020

Status of LED Lighting Replacement
(Verses total lighting)



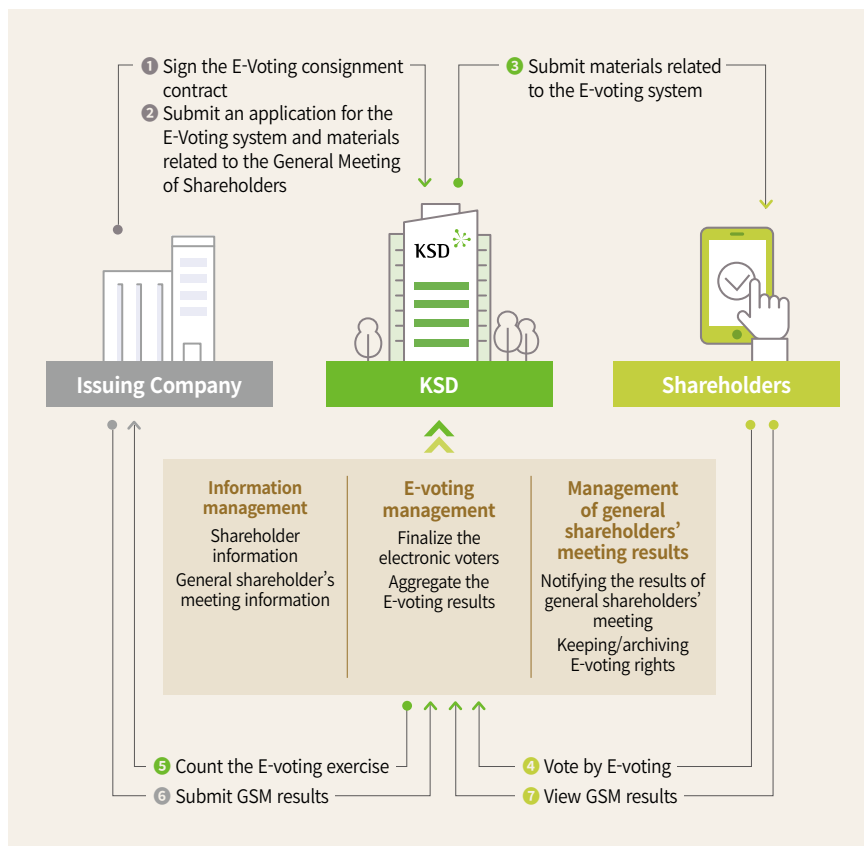
Establishment of Eco-Friendly Green Office

As a result of our continuous efforts to reduce greenhouse gas emissions by replacing office lightening with LEDs and installing double-glazed windows, we managed to replace all of the lighting fixtures with LEDs in 2019. Additionally, in-house environmental education and company-wide energy-saving campaigns were conducted to raise awareness of the environmental protection and energy conservation among employees, as well as proactively putting efforts to save energy by designating an energy keeper in each department to manage and monitor the progress. We are also committed to create an eco-friendly culture by using eco-friendly paper and preferentially consumed eco-friendly products known as the Green Purchase.

Enhancement of Low-Carbon Green Finance Infrastructure

As part of our environmental protection, we have implemented an electronic securities system and provided an E-proxy service. In November 2020, we promoted a new electronic voting system that helps investors to exercise their voting rights in a safe and fair manner. We also joined our efforts to support the government's green growth policy by minimizing the use of transportation and reducing the paper consumption of the Convocation Notice of Ordinary General Meeting of Shareholders that is used at the general meeting of shareholders. While putting our efforts to build a low-carbon green financial infrastructure, we have carried out online video conferences and e-mail communication with our customers in consideration of the contactless environment driven by COVID-19 pandemic in 2020.

Operational Structure of E-Voting/E-Proxy Service



07

Internalizing of Ethical Management



RISK & OPPORTUNITY



There is a growing movement around the world to regulate or boycott the unethical products and services where public institutions are especially required to have a higher level of integrity and ethics than the private organizations. As ethical management is the factor that has a direct impact on corporate image and its sustainability management, it is essential for companies to internalize the ethical management with active anti-corruption and integrity activities.

APPROACH



In order to gain the public trust with an ethical management that meets the need of our society, KSD has actively practiced ethical management activities such as establishing an advanced ethical management system, spreading a culture of anti-corruption and integrity, and implementing measures to root out “gapjil” in the workplace. We have been conducting ethics training for employees on a regular basis and operating various internal and external campaigns as well as the reporting channels in the effort of internalizing ethical management in the organization. We are also contributing to spread the anti-corruption and integrity culture in local communities, mainly in Busan.

KEY PERFORMANCE

**Achieved
'Comprehensive
Integrity Level 2'**

The comprehensive integrity
measurement of public
institutions

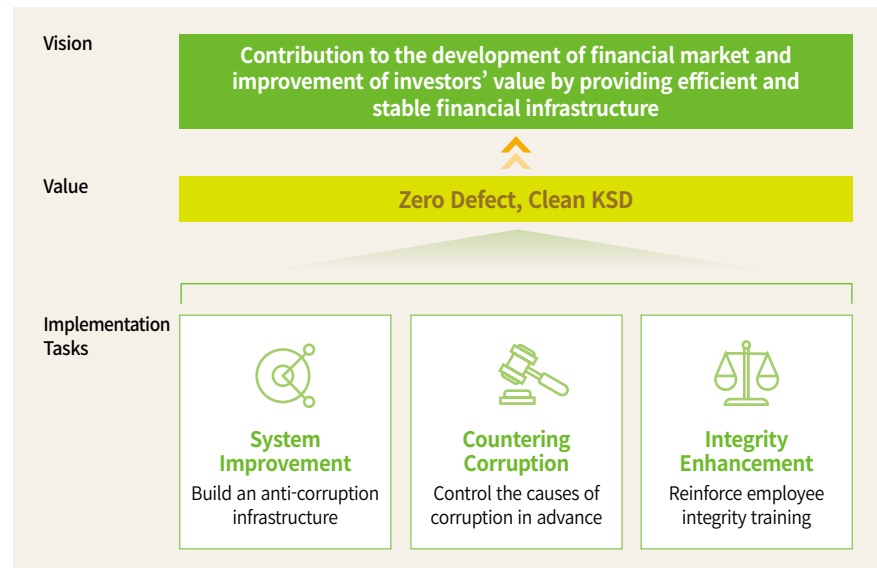
**Reinforced
external lecture
standards**

91.8 % completed

The year of 2020
Anti-corruption and
integrity training

Ethical Management Promotion System

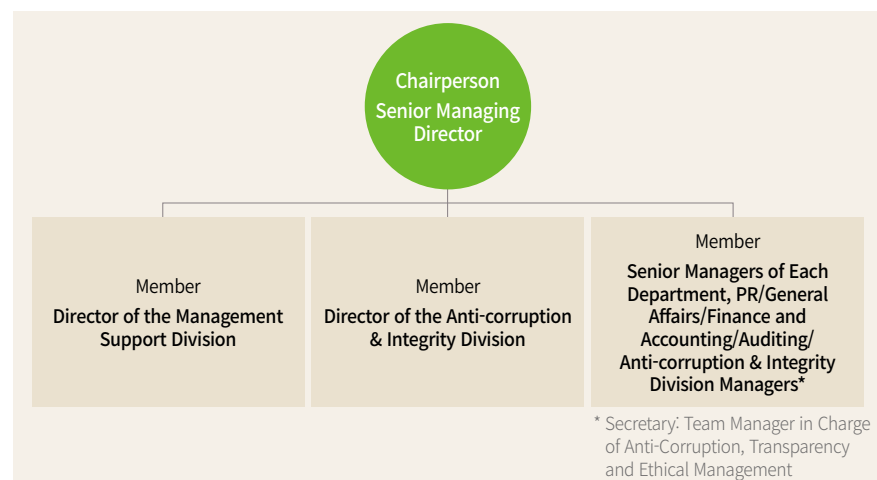
In order to fulfill our social responsibilities as an ethical financial corporation and internalize ethical management as a corporate culture, KSD has actively implemented three major tasks: system improvement; corruption control; and integrity improvement with 'Zero Defect, Clean KSD' as our core value.



Governance of Ethical Management

With the central role of our Chairman & CEO, KSD has operated the Integrated Anti-Corruption/Transparency/Ethical Management Committee to systemically and efficiently practice the ethical management. The committee deliberates and makes decision on policies for ethical management activities, and the department in charge is responsible for improvement of anti-corruption and integrity policy system, training, PR, implementation and dissemination of the Code of Conduct, spread of anti-corruption and integrity practices, and development of measures to improve integrity. Furthermore, the integrity ombudsman system has been established to enhance transparency and fairness in our main business and areas vulnerable to corruption.

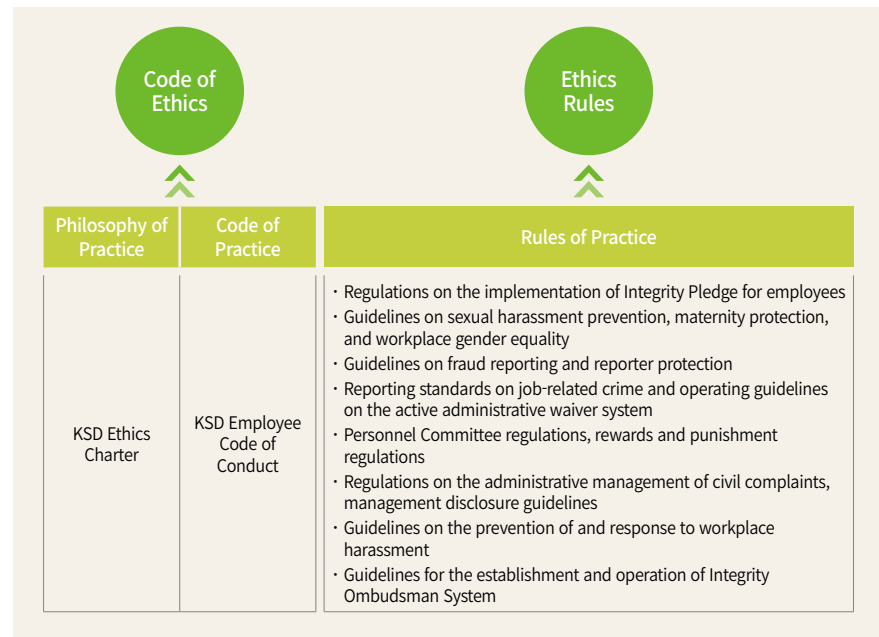
Committee of Anti-Corruption, Transparency, and Ethical Management



Compliance with Ethical Norms

KSD is striving to create an honest and upright corporate culture by establishing and distributing the Ethics Charter, the Code of Ethics including the Employee Code of Conduct, and Ethics Rules with detailed code of practice. Through the Code of Ethics and the Ethical Norms, we are encouraging all employees to thoroughly implement the ethical management in their work and life by clearly presenting the targets for ethical management and standards for business and work ethics.

System of Ethical Norms



Enhancement of Anti-corruption and Integrity Capabilities

Participation of Integrity Cluster in Busan

In order to spread the culture of integrity in Busan and implement anti-corruption and integrity policies, we have been operating an Integrity Cluster in which 8 local public institutions participate. We have attended Integrity Cluster meetings on a regular basis to discuss various issues, such as establishing a work-sharing plan for the spread of an integrity culture, sharing an integrity policy implementation plan, and areas vulnerable to corruption by institution and its improvement plans. We have also participated in the Public-Private Council for Integrity Society hosted by the City of Busan. In addition, we have actively engaged in public relations programs to spread the integrity culture in the local community.

Implementation of Integrity Ombudsman System

Since 2009, we have been operating an integrity ombudsman system to promote internal reporting and reinforce our anti-corruption activities. KSD's integrity ombudsman, which is an outside expert from each field with expertise of high integrity and moral standards, not only monitors the transparency and fairness of the company's businesses and areas vulnerable to corruption, proposes measures to improve relevant systems, but also handles the telephone counseling. Since 2017, we have been operating the system both in Busan and Seoul and held integrity ombudsman meeting on a quarterly basis where ethical management officers from each department participated.

Reinforcement of External Lecture Standards

In response to a growing number of employees participating in external lectures, we have implemented measures to strengthen the standards for external lectures in 2020. We revised the Employee Code of Conduct to prepare a basis for limitation if the external lecture activities reported by executives hinder fair practice of work. We also improved the reporting process to prevent violations of the Anti-Graft Law by strengthening the reporting standards for external lectures and attendance standards.

Promotion of Integrity Culture Expansion



Anti-corruption and Integrity Training for All Employees

KSD is striving to internalize a culture of integrity within the organization and enhance corporate credibility through various ethical management activities. Anti-corruption and integrity training is held annually for all executives and employees in order to improve the ethical awareness of executives and employees to enhance the integrity of the organization. In 2020, we have organized a total of four training sessions including two sessions for all employees and one session for each new manager and employee. We also have provided training programs related to tailored integrity education, conflict of interest prevention law, and correct use of corporate cards. Since 2019, the integrity contract has been implemented when signing contracts with newly appointed executives, including the Chairman & CEO, auditor, and managing directors.

Sharing of Best Practices for Anti-Corruption

We are jointly developing effective anti-corruption policies with other institutions including the Integrity Cluster of Public Institutions in Busan and the Public-Private Council for Integrity Society, while discovering best practices for anti-corruption and continuously sharing and spreading them. We also established the internal policies based on best practices and improvement items provided by Anti-Corruption and Civil Rights Commission.

Operation of Channels for Violation Reporting

At KSD, we operate various channels for anti-corruption and integrity violation reporting. Channels for reporting and counseling, such as reporting related to public interest, Anti-Graft Act, passive administration, and public service discipline, etc., are provided on the website. In addition to the website, we also provide methods and procedures of reporting via various channels like phone call, e-mail, mail, and offline visits. The confidentiality of reporters is strictly guaranteed, and no disadvantage or discrimination is made as a result of the report. Reports or consultations are promptly processed by the relevant department and the results are notified to interested parties.

Results of Reporting Channel Operation in 2020

Category	No. of Cases	Content of measurement
Public Interest Reporting	0	-
Consultation Reporting on Anti-Graft Law and etc	0	-

Measurement to Eliminate “Gapjil”

Enhancement of PR Activities to Eliminate “Gapjil”

We are strengthening our internal and external PR activities to root out and prevent “gapjil”, which refers to an unfair request or treatment performed by A, who is in a superior position than the other in social and economic relations, to B by abusing its authority. We are promoting the government’s will to eradicate gapjil and its implementation through booklets and websites by distributing the government’s ‘Guidelines for the Prevention of Gapjil in the Public Sector’.

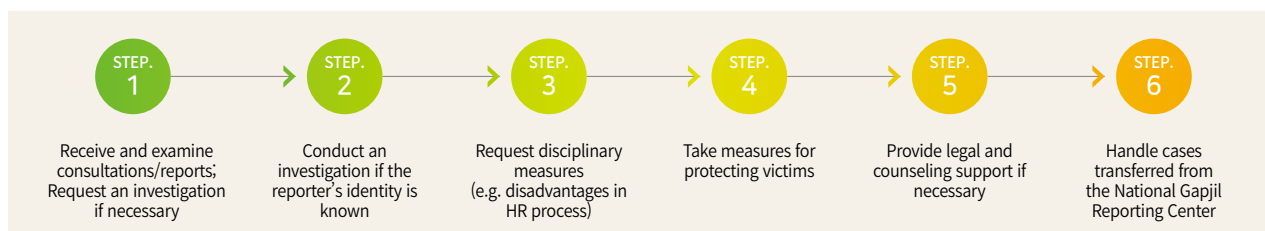
Gapjil Prevention Activities within KSD

We identify the causes of gapjil and eliminate the possibility of its occurrence by conducting voluntary inspections. In addition, we have assigned staff in each department to take charge of gapjil elimination, identifying and inspecting potential factors for gapjil that may arise from internal regulations or business practices, as well as establishing measures to rectify areas that require improvement. Additionally, we have formed a staff council in charge of gapjil elimination and hold meetings on a regular basis to share information and promote communication. We also use communication channels in which customers participate, including anti-corruption meetings and integrity monitoring group, to check matters that may be perceived as gapjil to customers, and listen to complaints and suggestions to actively accept them.

Operation of Reporting System

We have established the “Gapjil Reporting and Support Center” to receive reports of gapjil and provided assistance for the victims. With the Director of the Audit Department as the head of the Center, one team leader and one staff member have each been appointed to take charge of relevant matters, receiving reports and taking measures to protect victims/reporters. In addition, we have operated a reporting board on the website where anyone, including customers, can make reports of gapjil.

Gapjil Reporting and Assistance Process



● ● ● Best Practice.

Achieved ‘Comprehensive Integrity Level 2’ in Public Institutions*

KSD achieved “Comprehensive Integrity Level 2” in the comprehensive integrity measurement of public institutions in 2020. The integrity measurement is a system that the Anti-Corruption and Civil Rights Commission measures and announces annually to diagnose the level of integrity for each institution and to induce autonomous improvement efforts in areas vulnerable to corruption. We received Level 2 in external and internal integrity respectively and achieved comprehensive integrity level 2 which has risen by one level from the previous year. Based on the result, we will continue to improve our integrity level by focusing on company-wide ethical management practices.

* Ranked 2nd out of 34 institutions in 3 categories of public service organizations in 2020

Integrity Measurement Results of Public Institutions

Category	2018	2019	2020
Overall Rating	2	3	2
External Rating	2	3	2
Internal Rating	3	3	2

Sustainable Management 08

08

Creating a Safe Working Environment



RISK & OPPORTUNITY



With the increase in the occurrence of industrial accidents and natural disasters at home and abroad, we are facing a growing social demand for corporate safety management. Industrial accidents not only lead to severe casualties, but directly damage the reputation and credibility of the corporation. Therefore, it is important to practice safety management that meets the needs of the community through thorough preventive measures and prompt follow-up measures. There is also growing interest in creating a safe working environment for subsidiaries and partners that are vulnerable to industrial accidents.

APPROACH



KSD is continuously strengthening safety management based on its comprehensive safety management system as the national infrastructure operator. We are committed to proactively prevent industrial accidents and safety accidents through stringent safety management of facilities, while creating a safe working environment to protect the physical and mental health of all employees.

KEY PERFORMANCE

**Achieved
Zero Accident**
Industrial Accidents &
Safety Accidents

**Established
Safety Planning
Team**

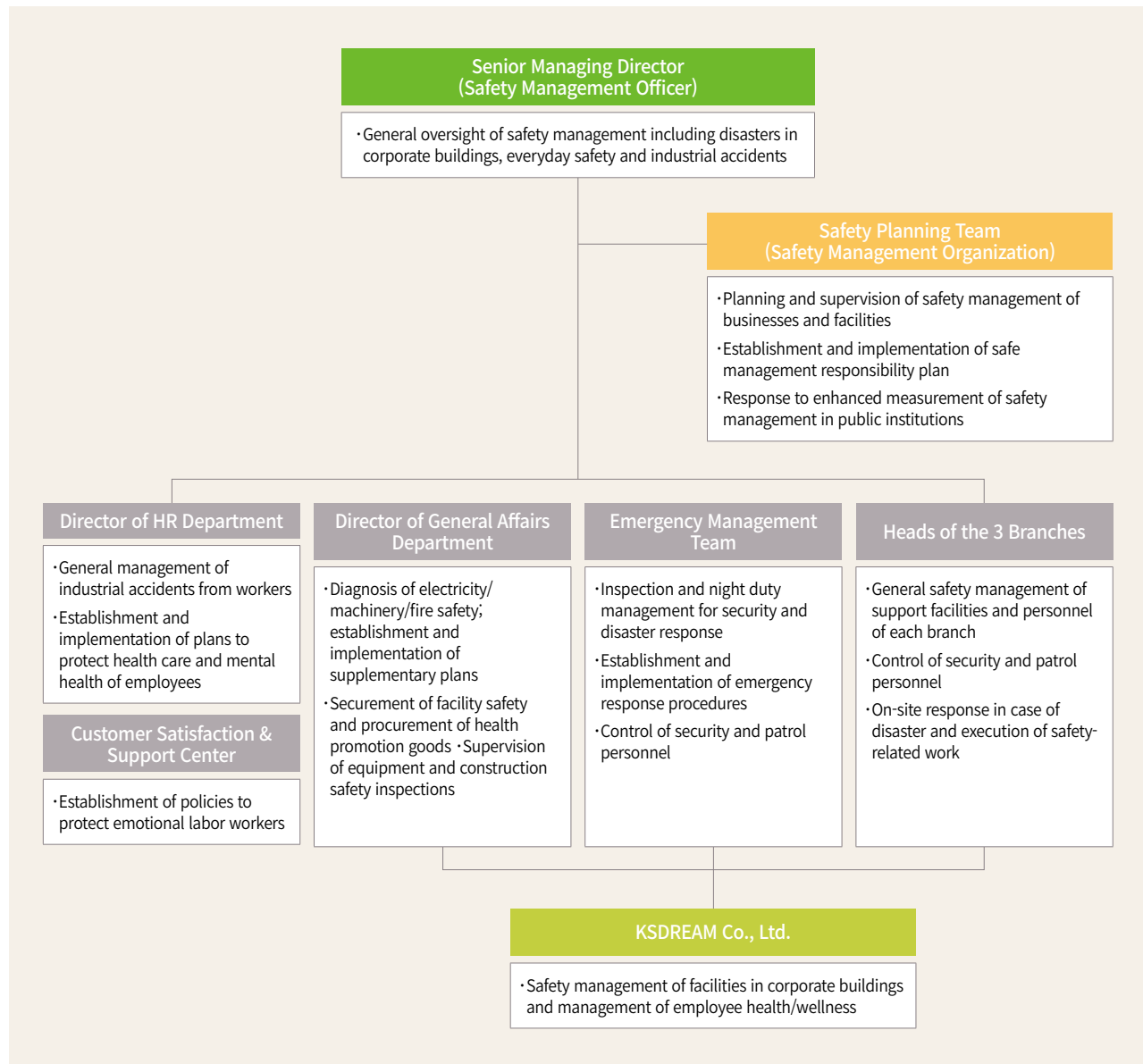
**Conducted
Professional
Training**
Safety Management
Workers

Safety Management

Comprehensive Safety Management System

KSD has established comprehensive safety management system with the goal of achieving a “Zero Accident, Safe KSD and continuously strengthened our ability to proactively prevent industrial accidents and safety accidents and respond to emergencies. In 2021, the existing Safety Management Office was divided into the Safety Planning Team and Emergency Planning Office to establish and implement an efficient safety and health management system, and the Safety Management Committee is in charge of company-wide safety management such as operation of the Safety Management Committee, risk assessment of business sites, and safety inspection of facilities. The Safety Management Committee, which is held on an occasional basis, is a safety management deliberation body that deliberates and decides on matters related to company-wide safety management with the participation of safety management managers, workers, and experts of the Korea Securities Depository and its subsidiaries.

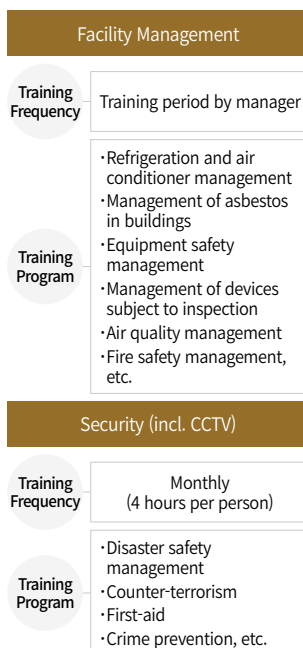
Safety Management Organization



1) The national infrastructure (IT center) management organization in accordance with the 「Framework Act on the Management of Disasters and Safety」

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

Training for Safety Management Workers



Advancement of Facility Management and Safety

As the national core infrastructure operator¹⁾, KSD conducts regular/irregular safety inspections of its major facilities based on a comprehensive disaster prevention plan that includes countermeasures against disasters such as fire, storm, flood, power outage, and earthquake, and implements safety management practices. We also carry out risk assessment of our business sites on a regular basis to identify harmful and risk factors in workplaces and facilities, and take voluntary preventive measures. Through this systematic management, we were able to maintain 'zero' industrial and safety accidents in 2020.

Status of Industrial and Safety Accident Occurrence

(Unit: Person)

Category	2018	2019	2020
No. of deaths caused by industrial accidents	0	0	0
No. of deaths caused by safety accidents	0	0	0

Strengthening Employee Safety and Health Measures

In order to minimize the possibility of industrial accidents having physical and psychological impacts on our employees, we have established the Guiding Principles of Human Rights Management, which include the "guarantee of industrial safety"²⁾, and operate a suspension of work request to protect workers at risk. We also provide a comprehensive support process to protect mental health and emotional stability of customer-facing employees. In addition, we have increased the wage level of safety management workers by raising the work allowance for drivers and creating new work allowance for fire safety management positions to create conditions to help them focus more on their work.

Increasing Safety Awareness for Employees

We are continuously expanding education and training for employees to internalize a safety culture in the workplace by increasing employees' safety awareness. We provide safety education tailored for each tasks and strengthen our employees' ability to respond to risks by conducting disaster prevention training, fire drills and earthquake evacuation drills. Especially, safety training tailored for the characteristics of the facility in charge is conducted separately for facility management and security personnel to enhance their expertise in the field. In this way, we are committed to continuously enhance the safety awareness with the operation of in-house feedback system that will strengthen the safety of both workplace and workers.

Promoting Safety Culture of Subsidiaries

In order to ensure a safe working environment for subsidiaries, various safety management activities including assistance for safety supplies are carried out, along with employee safety training on a regular basis. The working environment of the employees of subsidiaries is also included in the scope of risk assessment so that both preventive and improvement measures can be implemented. We also assist the establishment of practical systems for safety management, enabling employees to request a suspension of work and etc.

HUMAN RIGHTS

KSD is actively promoting people-oriented management that protects and respects the human rights of both internal and external stakeholders. Based on the systematic policies, strategies, and organizations, we will strive to establish a workplace environment in consideration of human rights and focus on the creation of human rights values for the vulnerable groups to further strengthen our human rights management.

Human Rights



Implementing People-oriented Management and Protecting Human Rights

RISK & OPPORTUNITY



The international community, including the United Nations, is emphasizing the nation's obligation of corporate respect for human rights. Developed countries like the United States and Germany have established NAP (National Human Rights Plans of Action) to promote corporate respect for human rights. As social consensus on corporate responsibility to respect human rights is growing in Korea, the government announced NAP on human rights in 2018, setting goals to institutionalize human rights management and remedy of damage. Amid these domestic and global trends, public institutions are required to protect and respect human rights at a higher level than the private companies.

APPROACH



KSD is the world's leading comprehensive securities service corporation that creates social value while growing together with the stakeholders and actively practices human rights management that endeavors to prioritize people in aspects of the management activities. We have established a human rights management promotion system and conducted an annual human rights impact assessment, and protected the human rights of both the internal and external stakeholders through various activities, such as damage remedy procedure, operation of grievance counseling system, improvement of working environment, human rights education for employees, and support for self-reliance of the socially disadvantaged.

KEY PERFORMANCE

* As of 2020

14.9 %

Ratio of female managers

448 people

Number of employees that completed human rights education

Established and implemented remedy procedures for human rights violations

(December 2020)

Promotion of Human Rights Management System

Establishment of Human Rights Policies

As a comprehensive securities service provider contributing to the sound capital market development, KSD has implemented human rights management that puts people first in all business activities. In addition to strictly complying with the relevant laws for the protection of human rights, we have supported and implemented international standards and principles related to human rights and labor, including the United Nations (UN) Universal Declaration of Human Rights, the International Labor Organization (ILO) Conventions and the UN Guiding Principles of Businesses and Human Rights. In 2019, with our commitment to practice, we have enacted “KSD Declaration of Human Rights Management” and the “KSD Guiding Principles of Human Rights Management” as criteria for proper behavior and value judgment that all stakeholders should comply with, including employees, customers, business partners (suppliers and subsidiaries), and local communities.

Establishment of Human Rights Management Governance

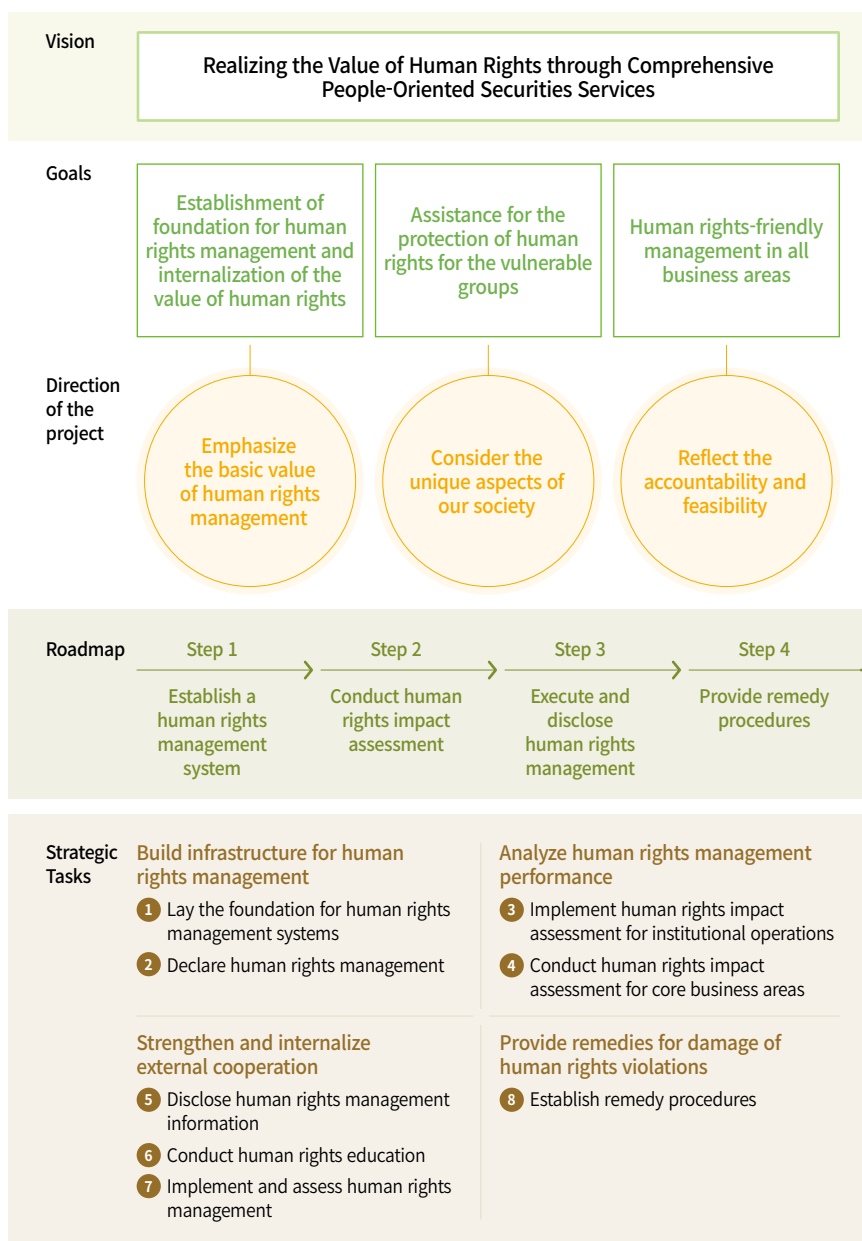
In order to systematically promote human rights management, we have established and operated human rights management governance, including the Human Rights Management Committee and the department in charge. The Human Rights Management Committee, the decision-making body at the company level for human rights management, is composed of Senior Managing Director as the chairperson as well as heads of relevant divisions and departments, and in charge of deliberating and deciding on matters related to the protection and promotion of human rights of internal and external stakeholders. The committee is divided into regular meetings held once a year and special meetings held when necessary. In addition, we have designated the Social Value Department as the department in charge of human rights management affairs to ensure professional and effective implementation of human rights management. In addition to establishing and implementing the KSD Basic Plan on human rights management, the division in charge is carrying out tasks such as human rights training, human rights impact assessments, reception and investigation of human rights violations cases, and administrative support to the Human Rights Management Committee. Furthermore, we have designated human rights managers for each department to facilitate human rights-related tasks including human rights training and human rights impact assessment.

Governance of Human Rights Management



Implementation of Human Rights Management Strategy

To implement company-wide human rights management, we have set the directions under the vision of ‘Realizing the Value of Human Rights through Comprehensive People-Oriented Securities Services,’ such as focusing on the basic value of human rights management, taking KSDs specialty into account, and reflecting accountability and feasibility. In line with the directions of implementation, we have identified and implemented strategic tasks such as the establishment of human rights management infrastructure and diagnosis of human rights management level, strengthening and internalizing external cooperation, and remedies for human rights violations. Through systematic human rights management, we will build a solid foundation for human rights management, internalize the value of human rights, promote human rights for the vulnerable, and practice human rights-friendly management throughout our business.



Execution of Human Rights Impact Assessments and Improvement Plans





Human Rights Impact Assessment for Institutional Operations

We have been executing a human rights impact assessment every year to evaluate the types of human rights violations in our business activities and manage risks in advance. We have conducted a survey and due diligence targeting groups of people potentially at risk of human rights violations among stakeholders. Through these measures, we have identified potential human rights issues regarding all employees and those vulnerable to human rights violation and established improvement plans to prevent damages. In the future, we will disclose information on the implementation status transparently.

Classification of Stakeholder	Methods of Human Rights Impact Assessment	Implementation Progress	Potential Impact on Human Rights	Measurement Plan
Employees (Labor Union)	Employee Survey	<ul style="list-style-type: none"> Conducted employee survey between October 27th to November 9th, 2021 	<ul style="list-style-type: none"> Verbal violence between employees or subcontractors Discrimination in job transfer, promotion, compensation, or training opportunities Discrimination in job performance when returning from childcare leave, maternity leave, or family care leave Frequent and unnecessary overtime work Mental health damage caused by relationships with clients or co-workers 	<ul style="list-style-type: none"> Supplement regulations on human rights management through inspection and revision of employment rules
	Survey on vulnerable groups* * New hires, female employees during pregnancy and childcare	<ul style="list-style-type: none"> Conducted household vulnerability survey between October 27th to November 9th, 2021 	<p><u>New employees</u></p> <ul style="list-style-type: none"> Verbal violence from senior employees (e.g. yelling, offensive language, etc.) Frequent and unnecessary overtime work Boss's request for personal errands that are not related to the job <p><u>Support for female employees during pregnancy or childcare</u></p> <ul style="list-style-type: none"> Unpleasant remarks or behaviors of bosses or co-workers due to pregnancy or childcare Overtime work during pregnancy or childcare Difficulty in using leave for pregnancy and childcare due to company regulations and duties 	<ul style="list-style-type: none"> Operate an employee grievance handling system and strengthen public relations Promote the Human Rights Grievance Center Promote the Integrity Ombudsman System

Human Rights Impact Assessment on Major Businesses

In addition to identifying potential human rights violations that may occur during the implementation of the project, we have conducted human rights impact assessments for major projects to expand the value of human rights in the capital market. The human rights impact assessment was conducted in all areas of KSD, including primary market support, secondary market support, asset management support, securities finance service, global service, and positive or negative impacts on human rights by taking stakeholder impact and strategic importance into account. Stakeholder impact was assessed by the touchpoints in business, size of stakeholder, and social impact. Strategic importance was evaluated in consideration of the financial contribution of business unit and direction of mid- to long-term strategy.

 Category	 Methods of Human Rights Impact Assessment	 Potential Impact on Human Rights	 Action Plan
e-Registration	Analysis of impact on human rights based on major projects considering stakeholder impact and strategic importance	<ul style="list-style-type: none"> • Possibility of customers' infringement of rights in case of insufficient information provided on the use of e-registration service 	<ul style="list-style-type: none"> • Periodic survey on human rights impact targeting stakeholders from core business areas • Reflection of human rights factors when selecting and implementing core businesses • Development and implementation of human rights training contents • Enhancement of human rights information disclosure of employees working on major projects • Prevention of security incidents such as personal information leakage through the use of personal information and immediate disposal after the minimum storage period, regular security check, and regular training • Compliance with the statutory working hours (52-hour workweek) for employees working on major projects, and guarantee of break time
Securities Agency		<ul style="list-style-type: none"> • A lack of identification of possible negative impact on human rights and establishment of countermeasures due to the execution of securities agency business • Possibility of customers' infringement of rights in case of insufficient information on the use of securities agency services 	
Start-up Support (incl. crowdfunding)		<ul style="list-style-type: none"> • Possibility of customers' infringement of rights regarding false advertisement or indication of support service for startup 	
e-Voting		<ul style="list-style-type: none"> • Possibility of stakeholders' infringement of rights in case of no voluntary consent when collecting personal information through e-voting 	
Securities Information		<ul style="list-style-type: none"> • A lack of identification of possible negative impact on human rights and establishment of countermeasures due to the execution of securities information business 	
IT Center Construction		<ul style="list-style-type: none"> • Possibility of stakeholders' infringement of rights in case negative impacts on human rights, safety, and the environment are not considered when building and operating the IT Center 	
Launch of Fundnet		<ul style="list-style-type: none"> • Possibility of infringement of rights in case stakeholders' participation is not guaranteed in the process of establishing the Fundnet or if there is no grievance procedure for employees 	



Provision of Relief Procedures for Human Rights Violations

To protect human rights of internal and external stakeholders and increase responsibilities for human rights violations that may arise in the process of company's business activities, we have established relief procedures for human rights violations in 2020. Although the relief procedures for dealing with harassment in the workplace have been established before, remedies for other human rights violations, such as discrimination, were somewhat insufficient. It was also found that our in-house human rights center required support for investigation, review, and action in addition to reception and consultation and that the reporting and action procedures in response to human rights violations by external stakeholders such as customers and local community were insufficient. In order to solve these problems, we have been focusing on providing effective remedy procedures for victims of human rights violations in line with the guidelines of the government (National Human Rights Commission of Korea) and the circumstances of the company. We also have established an investigation committee to provide a procedure for corrective action after consultation on human rights violations when human rights violations are reported and institutionalized so that the identity of the reporter is thoroughly guaranteed.

Process of Relief Procedures for Human Rights Violation

Category	Reporter	Director of HR Department	President & Chairman of Human Rights Management Committee	HR Committee
Consultation	Consultation on human rights violations	Consultation and operation of consulting office	-	-
Reporting & Receipt	Filling out a report on human rights violations	Receipt and verification	-	-
Investigation	-	Investigation and reporting (President, etc.)	Organizing Investigation Committee and reporting	-
Action	-	-	Disciplinary actions to prevent a recurrence	Deciding disciplinary action

Status of Internal Relief Procedure Operation

Category	Sexual Harassment and Violence	Harassment in Workplace	Grievance Handling	Internal Human Rights Center
Applicable Laws	<ul style="list-style-type: none"> Gender Equality Framework Act Act on Sexual Violence Prevention and Victim Protection 	Response to government policies e.g. the revised Labor Standards Act to ban harassment in the workplace (July 2019)	-	-
Internal Guidelines	Guidelines for Prevention of Sexual Harassment and Violence	Guidelines for preventing and dealing with harassment in the workplace	Labor-Management Council Operation Guidelines	Established as a follow-up measure to the results of a survey on discrimination and isolation within the organization (December 2017)
Application	<ul style="list-style-type: none"> Grievance Counseling Center Cyber Reporting Center 	Manager in charge of prevention and response (HR Team)	<ul style="list-style-type: none"> Grievance Handling Committee members (8 people) Honorary Supervisor (2 people) 	Counselor (4 people)
Consultation	Grievance Counselors (5 people)	Grievance counselors (4 people)		
Investigation		Investigation Committee (5 people)	Grievance Handling Committee (8 people: 4 people each from the labor and management sides)	-
Deliberation	Sexual Harassment & Violence Deliberation Committee (4 people)	HR Committee	Grievance Handling Committee or Labor-Management Council	-
Action	HR Committee			-

Creation of a Work Environment that Considers Human Rights

Respect for Diversity

KSD has been prohibiting all kinds of unfair discrimination based on gender, level of education and religion, and respects diversity in the workplace. As of the end of 2020, male and female employees account for 70% (513 employees) and 30% (220 employees) respectively, and the number of veterans and persons with disabilities we have employed was 59 and 25 employees respectively, exceeding the statutory compulsory employment.

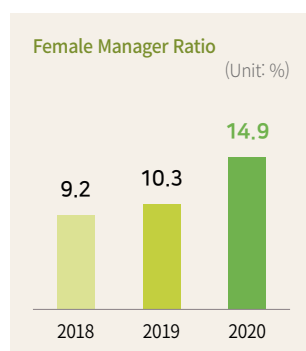
Employment Status of Women, Persons with Disabilities and Veterans (as of the end of 2020)

Female Employee	Employees with Disabilities	Employment of Veterans
220 employees	25 employees	59 employees

Support of Female Talent

We have been strengthening our fostering system and education for female talents so that our female employees can grow as an outstanding manager. In particular, we have provided our female employees with various opportunities to improve their ability, including participation in the Women Leaders' Academy hosted by the Korea Institute for Gender Equality Promotion and Education. Thanks to these efforts, the ratio of female managers (team leaders and above) has continued to increase, reaching 14.9% in 2020.

Status of Female Managers



Transparent and Fair Recruitment Process

KSD has been providing equal job opportunities for everyone by operating a transparent and fair blind recruitment system for the recruitment process. We have been strictly prohibiting all kinds of discrimination based on education, age and gender, and reinforce socially equitable recruitment that encompasses minority groups such as women and people with disabilities in order to respect the socially vulnerable and enhance diversity among our employees.

Our blind recruitment system is applied throughout the entire hiring process to ensure fairness. In the recruitment phase, we have minimized the information asymmetry by publicly disclosing detailed information on evaluation criteria and the size of the candidate pool. In addition, at the document review stage, all information irrelevant to the job was completely excluded and evaluations were made solely based on the candidates' ability to perform their job functions. In addition, we have increased the number of written test candidates by 40 to 80 times in order to provide more candidates with the opportunity to take the written test. The final state, interview stage was conducted in a through blind recruitment system, such as calling candidates not by their names but by their application numbers, which maximizes fairness by increasing the ratio of external members on the recruitment committee.

Furthermore, we have established a system to fundamentally screen out the occurrence of hiring irregularities in advance by stipulating grounds for the withdrawal of a job offer and specific relief measures for victims. In particular, we have made it mandatory for auditors to stay present throughout the whole recruitment process and strengthened the supervisory system by storing recruitment documents permanently. Along with these efforts, we have been contributing to fair recruitment practices across society by spreading best practices of the blind recruitment system through conferences, etc.

Status of New Hire Salaries**Compensation with No Discrimination**

Our fair and rational compensation system has been motivating our employees and enhancing the operational efficiency. Employee compensation system consists of only a base salary and incentives, and remuneration is paid differently according to objective standards such as job expertise, intensity, and responsibility that an employee's duties entail. There is no discrimination based on gender in the salaries of employees and executives, which exceeds the legal minimum wage. The starting monthly salary of new full-time employees is about 215% to the legal minimum wage as of 2020.

Implementation of Maternity Protection Activities

We have been operating various maternity protection programs so that employees during their pregnancy and childcare can work together without difficulties. We have in-house nursing rooms and rest areas for pregnant women, and have operated three daycare facilities at the headquarters in Busan and the Seoul office. Furthermore, working hours can be reduced by up to two hours a day during the pre-pregnancy and childcare period, enabling employees to telecommute in order for them to take care of children. In addition to basic parental leave, we have been implementing systems such as fetal examination leave, spouse maternity leave, fertility leave, and childcare leave. Through these maternal protection activities, we have helped our employees maintain a healthy work-life balance and responded to the government's childbirth promotion policy.

Status of Pregnancy, Maternity, and Childcare Leave

Category	Unit	2018	2019	2020
No. of employees using maternity leave	Person	12	12	12
No. of employees using childcare leave	Person	10	14	20
No. of employees returning to work after childcare leave	Person	2	5	8
No. of reinstated employees with at least one year in service	Person	2	5	7
Days of childcare leave	Person	71	146.5	317
Days of fetal examination leave	Person	41	32.5	40

Improvement of Sustainable Working Hour System

We have been improving our working hours system to create a healthy working environment and maintain a healthy work-life balance. A 52-hour workweek system has been operated following the Labor Standards Act while flexible working hour systems and special overtime work permit systems such as flexible and selective working hour systems and alternative holiday systems also took place. Through such systematic support, we not only helped employees to focus on their work and balance their work and family lives but also prevented potential human rights violations by minimizing unnecessary or excessive overtime.

Status of Flexible Working Hour System Usage

Category	Unit	2018	2019	2020
Number of Employees Using Flexible Work Schedule	Person	603	708	615

Labor Union Membership Rate



100%

Guarantee of Freedom of Association and Collective Bargaining

KSD has been guaranteeing the freedom of association and collective bargaining and providing necessary conveniences so that employees can freely express their opinions on various issues such as working conditions through the labor union. In principle, we have been strictly prohibiting disadvantageous treatment against employees for their involvement in labor union activities and faithfully engaging in collective bargaining with the labor union. In case of the absence of labor unions, we plan to take alternative measures to replace them.

Activation of Communication between Labor and Management

We have been maintaining a stable and cooperative labor-management relationship with the labor union. Based on our mid- to long-term roadmap for labor-management relationships, we have established a labor-management cooperation system composed of Labor-Management Working-Level Meeting, Labor-Management Conference, Labor-Management Joint Committee, and Collective Agreement and operate regular communication channels to actively communicate on current issues between labor and management. In addition to the regular communication channels, we have operated a direct contact system (hotline) between the labor union and the company executives to discuss about the urgent matters. In 2020, labor and management jointly proposed and implemented a COVID-19 response policy through the emergency labor-management council to quickly respond to social crisis.

Labor-Management Cooperation System

Communication Channels	Major Participants (Labor Union and Company)	Frequency of Communication
Labor-Management Working-Level Meeting	Secretary-General of Labor Union, Labor Relations Team Manager and 2 others	More than once a month
	▼	
Labor-Management Council	Vice Chair of Labor Union, Director of Human Resource and 8 others	Once per quarter
	▼	
Labor-Management Joint Committee	Senior Vice Chair of Labor Union, Managing Director, and 14 others	As required
	▼	
Collective Agreement	Chair of Labor Union, Chairman & CEO	Once in two years and supplementary agreements

Enhancement of Labor-Management Cooperation for the Socially Disadvantaged

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

* An African (Xhosa tribe) language translated as "I am here because you are here." symbolizing a sense of community and solidarity

Raising Awareness of Human Rights Management among Employees

KSD has been carrying out various activities to internalize respect for human rights and consideration for internal and external stakeholders by raising awareness of human rights among all employees. Human rights training programs are provided for all employees (except those who are in training, on leave, or dispatched) on a regular basis every year, and these programs have been conducted from October to November in 2020. Employees were required to take at least one online course among the 'Understanding Human Rights', 'Universal Declaration of Human Rights', and 'Discrimination Prevention Training' provided by the Human Rights Training Center of the National Human Rights Commission of Korea, and a total of 448 employees participated in the program, recording a completion rate of 71%. In addition, we have required 12 companies participating in the K-Camp to complete the online human rights education at the Human Rights Training Center, contributing to raise the awareness of human rights among external stakeholders.

In addition, we have been providing sexual harassment prevention training at least once a year to all employees in line with our Guidelines on Sexual Harassment Prevention to eliminate sexual discrimination and harassment in the workplace. We also have a dedicated Sexual Harassment Grievance Center so that we can immediately respond to any such issues. Furthermore, we have trained our security personnel, who are at higher risk of human rights violations due to the nature of their work, and provided them with education regarding human rights regulations specified in constitutional and criminal law, as well as work procedures and efficiency tips, to prevent potential human rights violations against stakeholders outside the company. Going forward, we will continue to conduct annual human rights trainings for all employees, and discover and expand human rights education for external stakeholders.

Status of Human Rights Training Courses Completion

Course	Understanding Human Rights	Universal Declaration of Human Rights	Discrimination Prevention Training	Others ¹⁾	Total
Completed (Person)	300	113	31	4	448

1) No. of participants completed human rights training courses other than the guided courses

Human Rights Grievance Consultation System

We have been operating grievance counseling system through various channels to systematically and reasonably deal with human rights-related grievances experienced by internal and external stakeholders, including our employees. Through the Integrity Ombudsman program, we check employee corruption, gender discrimination, sexual harassment, or HR-related corruption, concealment of accidents, and irregularities in the recruitment process. In addition, we have been receiving grievances about the working environment of employees through the labor union, and we are receiving counseling and reporting for abuse of power through the Audit Department. Consultation and major matters regarding violations of the Code of Conduct by employees are also received through the website. We have been strictly guaranteeing the confidentiality of the received cases, and notifying the results in the process of verification, review, and investigation, and taking necessary measures to ensure that grievances are resolved smoothly.

Grievance Consultation & Reporting Channels

Cases of Human Rights Violation	Consultation Channel	Reporting Channel
Public interest reporting regarding general human rights violations (Acts of corruption by employees, sexual discrimination, corruption in recruitment, etc.)	Integrity Ombudsman	·Website
Consultation and reporting on the abusive power and control	Audit Department	·Website ·Phone call (02-3774-3642)
Feedbacks on working environment for employees and labor rights	Labor Union	·Offline, Phone call
Consultation and reporting on violation of customers' human rights and other grievances	Customer feedback collected on the website	·Register on website

Creation of Stakeholders' Human Rights Value

Assistance for the Economic Independence of Socially Vulnerable

KSD and the KSD Nanum Foundation have been promoting various activities to support social engagement and economic independence of the socially vulnerable as one of the policies for realizing social value. We have been focusing on creating a sustainable foundation for self-reliance by dividing into social innovation support such as impact finance and customized support for the underprivileged. In 2020, in response to the deterioration of the job market due to COVID-19, we have provided personalized jobs for the elderly, women, and low-income groups, and organized job competency development programs for young people. In addition, we have provided welfare programs for the underprivileged through a public contest, and continued sponsorship as well as volunteer work for the vulnerable in the local community. We also have continued our assistance for the growth and independence of people with disabilities by providing wheelchairs for children with disabilities and improving the working environment for small business owners with disabilities. In the future, we will continue to support the economic independence of the socially underprivileged by creating a sustainable and self-reliant ecosystem.

Establishment of Code of Conduct for Business Partners

KSD has multiple business partners including subsidiaries, partner companies, and KSD Nanum Foundation, and established a Code of Conduct for Business Partners to implement human rights management together with its business partners, which are partners for mutual growth. We have distributed the Code of Conduct for Business Partners composed of general provisions and chapters on respect for workers' human rights, safety and health, environmental protection, corporate ethics, and management system, so that our business partners can understand and practice the principles and ideas of human rights management.

GOVERNANCE

KSD is striving to practice transparent and reasonable management by establishing an advanced governance structure befitting a global leading depository and settlement company. In addition, we are growing into a public institution that is trusted by the people and supported by the market through advanced risk management and ethical management that meets the needs of community.

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Governance Structure

Composition of the BOD

The Board of Directors (BOD) is the highest decision-making body of KSD with the authority to review and determine essential matters, such as laws or elements of the Articles of Incorporation, matters entrusted by the General Meeting of Shareholders, and significant matters in consideration of the basic management policies and business operations. The Board consists of seven directors: two executive directors including the Chairman & CEO who is also the Chair of the Board, one standing auditor, and four non-executive directors. The Chairman & CEO is appointed through a resolution of the General Meeting of Shareholders and the approval of the Financial Services Commission, while senior managing directors and non-executive directors require a resolution of the General Meeting of Shareholders for appointment. The Chairman & CEO and Public Representatives (two persons) are nominated by the Executive Nomination Committee. On the other hand, standing auditor is appointed by the nomination of Executive Nomination Committee at the General Meeting of and may state his or her opinion by attending a meeting of the Board.

Status of the BOD and Auditor (As of December 31, 2020)

Category		Name	Gender	Field(s) of Expertise
Executive Directors	Chairman & CEO	RHEE Myong-ho	Male	Financial Policy & Law
	Senior Managing Director	Park Churl-young	Male	Law
Non-executive Directors		Choi Moon-hee	Female	Law
		Jeong hyun-suk	Male	Law
		La sung-chae	Male	Finance
		Kwon Hee-baek	Male	Finance
Standing Auditor		Ahn Sang-sub	Male	Law

Expertise of the BOD

To ensure the expertise of the BOD, KSD has appointed non-executive directors not only from the finance industry but also from various fields including the legal profession. Major criteria for appointment include general knowledge of the capital market, experience and expertise related to KSD's business, and a sense of ethics and responsibility. Meanwhile, prior to the BOD meeting, preliminary agenda reporting is conducted to non-executive directors so that the directors can actively express their opinions. An in-depth discussion is held at the BOD based on the matters discussed in the preliminary agenda reporting. In addition, management proposals made by non-executive directors are reviewed by relevant departments to determine whether they should be adopted or used as references. Then the proposals are reported to supervising directors to make the best use of their extensive experience and expertise.

Independence of the BOD

KSD has activated the containment function of the board of directors as well as ensuring the independence of balanced and objective decision-making. In particular, the BOD verifies whether there is any legal ground for disqualification of non-executive director candidates ensuring that they have no special relationship to the company. Furthermore, in order to prevent any conflict of interest within the BOD, directors who have special interest in specific agenda items are not entitled to exercise their voting rights pursuant to the Article 8, Clause 3 of the BOD Regulations.

Activities of the BOD

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

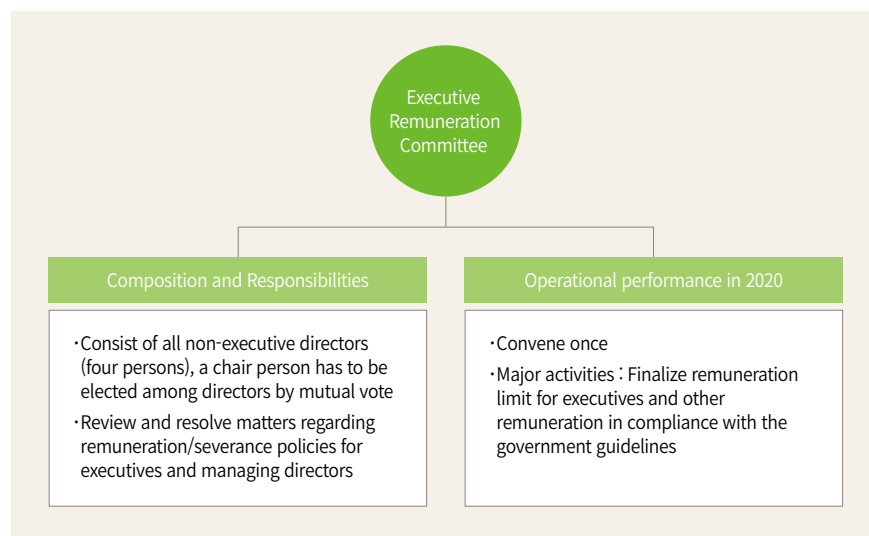
Performance of the BOD Operation (As of December 31, 2020)

Category	Unit	2018	2019	2020
Number of Sessions	Session	11	15	16
Number of Agenda Items	Item	30	50	48
Rate of Corrective Resolutions	%	10	2	6
Attendance Rate of Executive Directors	%	100	90	100
Attendance Rate of Non-executive Directors	%	87	83	97

Sub-committees of the BOD

KSD operates an Executive Remuneration Committee of the BOD in an effort to enhance the transparency of management.

Status of Sub-committees of the BOD



Performance Evaluation and Compensation of the BOD

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

Risk Management

Risk Management System

KSD's risk management system safely and systematically protects both the institutional and individual investor's securities from various internal and external risks. Through our risk management system, we will secure world-class stability and reliability as well as fulfilling our responsibility as a public asset management institution to comprehensively manage the public's investment assets.

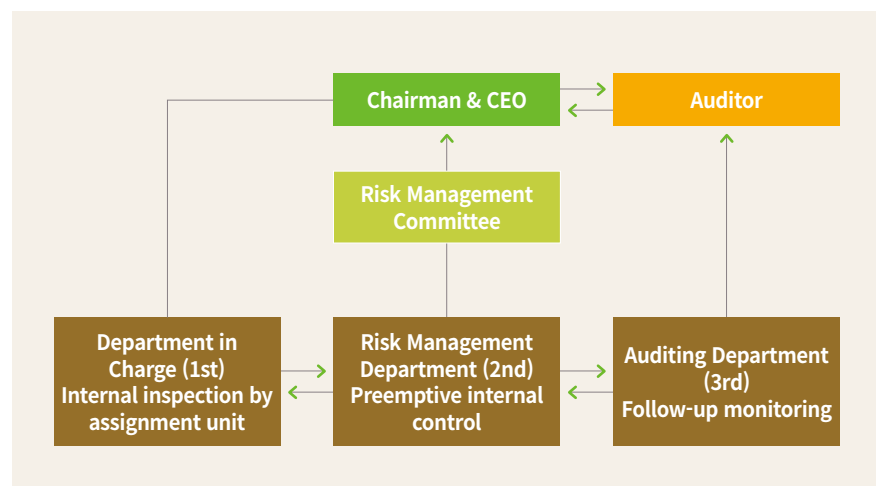
Risk Management Objective



Risk Management Organization

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

Risk Management Organizational Chart



Enterprise-Wide Risk Management System

In response to the rising demand for stronger management capabilities and responsiveness to both internal and external risks, KSD has established and operated an ERM (Enterprise Risk Management) system, an expansion of the existing risk management system which was used to mainly address the operational risks. Since 2018, KSD has established more elaborate and effective risk management environment to further strengthen the compliance and internal control by automating its monitoring functions and connecting the ERP system with other systems including the ones related to compliance and human resources.

Medium to Long-Term Roadmap for Risk Management



Risk Management Activities

Areas of Risk Management

Financial Risk
Market risk
Credit risk
Liquidity risk
Non-financial Risk
Operational risk
Legal risk

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

Enhancement of New Risk Factor Control and Management Activities

KSD is improving its financial risk management system in response to the growing uncertainties in financial market and reinforcement of domestic and international supervisory standards like the enactment of the Principles for Financial Market Infrastructures (PFMI) and etc. In 2020, we reviewed our company-wide operational risks to response to changes in the internal and external business environment, such as the implementation of the electronic securities system and the spread of COVID-19. By doing so, we have checked the adequacy of the existing risk indicators and strengthened risk monitoring process by identifying new risks and registering them in the system.

Enhancement of Compliance Activities for Company-wide Work Stability Improvement

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

Reinforcement of Company-Wide Work-Related Risk Monitoring System

KSD has an internal control system that encompasses the real-time monitoring of operational risks through key risk indicators (KRIs), a pre-alarm system, and a regular reporting system for monitoring results. We also have established a compliance system as well as setting the internal control standard that our employees must comply with. Since 2018, we have established 'Company-wide Crisis Response System' for unpredicted situations like the computer system errors as well as the synchronization of the Business Continuity Plan (BCP). In addition, we have secured a system for rapid normalization of work, such as reorganizing the related regulations and etc. In particular, we have designated core tasks and defined the roles of each organizational unit to establish a recovery plan based on the impact analysis of each field department. Furthermore, we are trying to improve our ability to respond to disabilities by conducting disability response training with participation of client firms.

Internalizing Risk Management Awareness in Employees

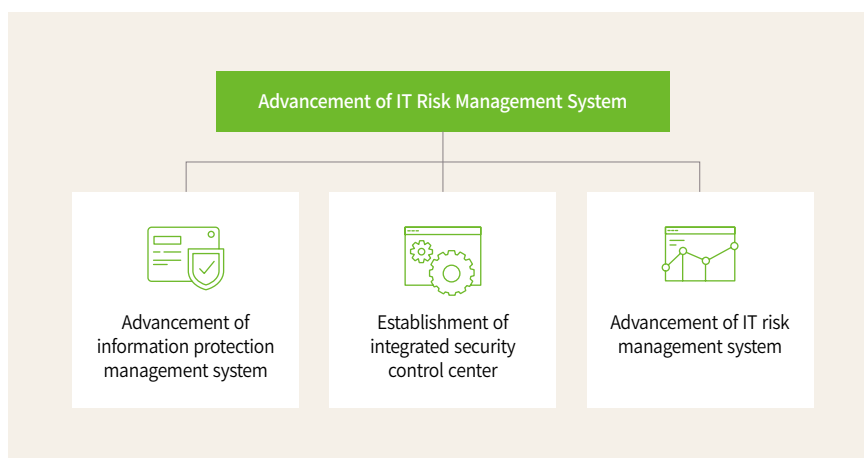
KSD periodically revises and publishes compliance work manuals to support employees in performing compliance-related tasks and enhance their understanding of compliance. In order to strengthen the company-wide confrontation ability of risk management, we also have conducted personal (credit) information protection training each year and actively shared risk management-related information to our employees.

Advancement of IT Stability and Information Security

KSD has enhanced its efficiency and level of information security management by building the latest high-performing comprehensive information security management system which protects the information assets from external threats 24/365.

System of Medium to Long-term Strategies for Information Protection

Based on the three major information security strategies, we have established medium to long-term strategies for the advancement of information protection system and operated an integrated comprehensive security control center in response to the internal and external environmental changes such as the increased cyber threats.



Establishment of a Comprehensive IT Security Management System

KSD has a dedicated organization, budget, and compliance system to maintain high level of security and comprehensively manage the IT security. First, we newly operated a dedicated organization with professional experts and invested appropriate budget and manpower in IT security to strictly manage the qualitative implementation of our information security system. Furthermore, we constantly established and revised regulations on information security to reflect the latest policies and technological trends in our business operations and clarify the basis for security work.

Compliance of Information Security Management Standards from the Financial Authorities

(As of December 31, 2020)

Category	Requirements by Financial Authorities	KSD
Information Security Personnel	5% or more of IT personnel	Approx. 5.99%
Information Security Budget	7% or more of IT budget	Approx. 15.69%

Enhancement of Business Stability by IT Security Reinforcement

By replacing a number of outdated information protection system with the latest equipment, we have strengthened our detection and response capabilities for the latest cyberattacks, thereby improving the operational safety, and detected vulnerabilities in advance through internal themed checkup. We have built an optimized control system by changing the security control type from remote to dispatch and established the best security incidents prevention and response system by advancing our confrontation skills for security incidents and analyzation skills to detect the symptoms.

Enhancement of Information Security Awareness

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



Stakeholder Engagement

Communication with Stakeholders

KSD has defined its stakeholders into eight groups and has been operating communication channels in consideration of each trait while continuously executing activities to build collaborative relationships with them. A survey conducted for our internal and external stakeholders identified the current status and level of sustainable management. The results will be reflected in KSD's sustainable management activities in the future.

Stakeholder Survey Results

Category	Economic Sector	Social Sector	Environment
High Performance Areas	<ul style="list-style-type: none"> •Securing financial stability and soundness •Implementing stable depository and settlement operation 	<ul style="list-style-type: none"> •Enhancing protection of privacy for customers •Increasing SME support programs 	<ul style="list-style-type: none"> •Sustainable resource consumption and management •Strengthening environmental investment and management
Areas of Necessary Improvement	<ul style="list-style-type: none"> •Securing soundness of governance structure 	<ul style="list-style-type: none"> •Guarantee diversity and equal opportunity for employees •Fair performance evaluation 	<ul style="list-style-type: none"> •Strengthening low-carbon financial infrastructure •Increasing the use of renewable energy

Stakeholder	Communication Channels	Key Activities
Customers	<ul style="list-style-type: none"> •SAFE+ system •KSD Sympathy-Talk •Customer CS camp •Customer council 	<ul style="list-style-type: none"> •Customer council meeting 2 times (130 participants) •Customer training program 6 times (309 participants) •Bluebird Team for Customer Happiness 5 times (187 participants) •KSD Sympathy-Talk 57 times (407 participants)
Government	<ul style="list-style-type: none"> •Business report •Major business conference 	<ul style="list-style-type: none"> •Audit by National Assembly •Government management evaluation
Peer	<ul style="list-style-type: none"> •SWIFT international standard message •Communication system for depositor 	<ul style="list-style-type: none"> •Overseas financial cooperation council 12 times •SIBOS 2020 conference •ACG executive committee video conference
Local Community	<ul style="list-style-type: none"> •Nanum Foundation website •Sustainability report •Volunteering group •Council of partner company 	<ul style="list-style-type: none"> •Meeting related to Busan socioeconomic assistance fund 7 times •Busan Integrity Society Private-Public Council
Academia	<ul style="list-style-type: none"> •Academic conference •Seminar •Symposium •Securities-Love-Group 	<ul style="list-style-type: none"> •Joint advisory council •Respective advisory council
Media	<ul style="list-style-type: none"> •Mass media seminar •Business briefing for journalist •PR meeting 	<ul style="list-style-type: none"> •Seminars and press briefings
Employees	<ul style="list-style-type: none"> •Labor-management conference and meeting •Labor-management workshop •Communication committee •TLC system •Grievance handling system 	<ul style="list-style-type: none"> •Labor-management council •Labor-management joint working-level council •Collective agreement on wage
Stakeholders	<ul style="list-style-type: none"> •General shareholders' meeting •BOD meeting •Business report •Annual report •Chairman & CEO meeting 	<ul style="list-style-type: none"> •General shareholders' meeting •BOD meeting 16 times

Materiality Assessment

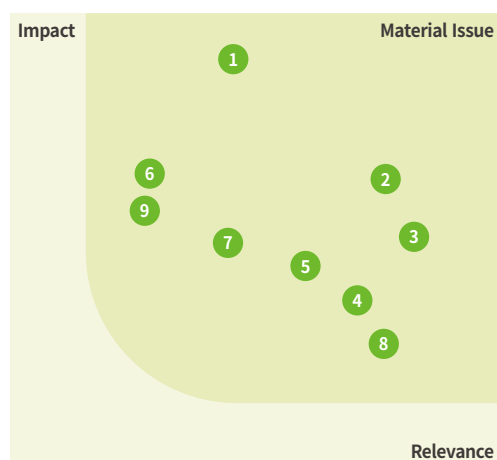
Materiality Assessment and Selection of Material Issues

Based on our sustainability management activities and stakeholder opinions, KSD has identified material issues in consideration of the various internal and external issues. Relevant activities and performances are provided in detail in this report.

Materiality Assessment Process



Materiality Assessment Matrix



Priority	Category	Issues	Page
1	Economy	Expanding function as the core infrastructure of the financial market	22-33
2	Economy	Maintaining stable depository and settlement business operations	92-95
3	Employees	Strengthening ethical management and anti-corruption efforts	69-73
4	Local Community	Expanding social contribution activities related to KSD's business	50-57
5	Employees	Recruiting and retaining talents	34-39
6	Employees	Guaranteeing diversity and equal opportunity for employees	43, 84-85
7	Local Community	Promoting social value creation	50-57
8	Economy	Supporting the advancement of the financial market by adopting new technologies	22-33
9	Environment	Improving low-carbon financial infrastructure	12-13, 66-68

APPENDIX

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108	Independent Assurance Statement
110	UNGC & UN SDGs
111	Human Rights Reporting Index
112	TCFD
113	Human Rights Statement
114	Awards and Associations
116	History

ESG Data

Economic Performance

Major Economic Performance

Category	Unit	2018	2019	2020
Revenue	KRW 1 million	225,802	222,398	268,877
Operating Income		79,508	54,825	86,095
Net Profit for the Term		83,169	48,904	97,776
Total Assets		3,447,368	3,464,253	5,013,507
Net Profit Per Share	KRW	7,951	4,674	8,998

Key Financial Indicators

Category	Unit	2018	2019	2020
Profitability	Net Profit on Sales Ratio	36.83	21.99	36.36
	Net Return on Equity Ratio	7.42	4.23	8.13
	Total Return on Assets Ratio	2.58	1.42	2.31
Growth	Operating Profit Growth Rate	32.86	-31.04	57.04
	Sales Growth Rate	16.37	-1.51	20.9
	Net Profit Growth Rate for the Term	21.75	-41.2	99.93
Stability	Debt-to-Equity* Ratio	200.01	197.87	303.66
	Flow Ratio	133.9	129.14	119.43
	Dependency on Borrowing	0	0	0

* Borrowing from financial institution is not included in the debt-to-equity ratio which covers the customer deposits, etc.

Distribution of Stakeholders

Category	Activities	Unit	2018	2019	2020
Government	Taxes	KRW 10 thousand	2,118,108	1,849,750	2,455,874
Shareholders	Dividends		3,326,314	2,195,583	3,422,100
Academics	Subsidies		6,440	5,646	3,521
Employees	Wages		7,217,196	7,701,519	8,543,604
Local Community	Social Contribution		19,500	22,540	44,821

Environmental Performance

Energy Consumption

KSD has been using LNG, diesel, gasoline, electricity, and steam to fuel operations. Most of the energy consumption is used for the operation of IT centers, air conditioning, heating, and lighting.

Category		Unit	2018	2019	2020*
Energy Consumption	Total	TJ	78.65	79.22	33.383
	Direct Energy Sources	TJ	9.28	8.32	6.441
	LNG	TJ	7.01	6.57	6.441
	Diesel	TJ	0.97	0.87	-
	Gasoline	TJ	1.30	0.88	-
	Indirect Energy Sources	TJ	69.37	70.91	26.942
	Electricity	TJ	63.99	66.17	26.942
	Steam	TJ	5.38	4.74	-

* The data is limited to the office building in Seoul due to the sale of Ilsan Center in 2020.

Greenhouse Gas (GHG) Emissions

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

Category		Unit	2018	2019	2020*
GHG Emissions	Total	tCO ₂ e	3,619.10	3,667.24	1,635.39
	Direct Emissions (Scope 1)	tCO ₂ e	511.331	453.518	326.895
	Indirect Emissions (Scope 2)	tCO ₂ e	3,107.77	3,213.72	1,308.50

* The data is limited to the office building in Seoul due to the sale of Ilsan Center in 2020.

Waste Production

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

Violation of Environmental Laws and Accident

Category		Unit	2018	2019	2020
Company-Wide	No. of Violation of Environmental Laws	Case	0	0	0
	Content of Measurement	-	-	-	-

Green Purchasing and Environmental Investment

Category		Unit	2018	2019	2020
Green purchasing	Amount of Green Purchasing	KRW 1 million	450	2134	482
	Ratio of Green Purchasing	%	88.6	98.5	78.5
Environmental Investment	Ratio of LED Light Installations	%	91.17	100	100
	Ratio of Eco-Friendly Vehicles	%	60.465	60.465	65.8

Social Performance

Current Status of the Workforce

Category		Unit	2018	2019	2020
No. of employees*			671	712	733
Location	Busan HQ	Persons	360	390	429
	Seoul Office		246	264	249
	Ilsan Center		48	39	35
	Gwangju Office		4	4	5
	Daejeon Office		5	5	5
	Daegu Office		4	5	5
	Jeonju Customer Support Center		3	4	4
	Hong Kong Office		1	1	1
Gender	Male		486	505	513
	Female		185	207	220
Age	Aged under 30		126	138	151
	Aged between 30 to 50		334	351	337
	Aged over 50		211	223	245
Employment type	Non-Fixed Term		654	699	727
	Fixed-Term		17	13	6
Ratio of Female Employment to Total Number of Employees by Position	Executives (Ratio of Female Executives Among All of the Executives)	%	0	9.1	18.2
	Managers** (Ratio of Female Managers Excluding the Executives)		9.2	10.3	14.9
Diversity	Employees with Disabilities	Person	20	24	25
	Ratio of Employees with Disabilities	%	3	3.4	3.4
	Ratio of Employees with Disabilities	Person	53	53	59
	High-School Graduates		115	119	121

* Aggregated based on employees with regular and non-regular status (excluding standing executives and youth internships)

** Manager: the person in charge of each departmental unit, who has three types of authority, 'direction/supervision and performance evaluation(work performance appraisal), and approval(arbitrary decision)' regardless of the internal job duties
(→ Written based on the team leader and above position)

Social Performance

Status of New Hire Recruitment

Category		Unit	2018	2019	2020
Total	No. of employees	Person	45	50	38
Gender	Male				
	No. of employees	Person	26	25	18
	Ratio	%	57.78	50	47.37
	Female				
	No. of employees	Person	19	25	20
	Ratio	%	42.22	50	52.63
Engineering graduates	No. of employees	Person	9	16	10
	Ratio	%	20.00	32.00	26.32
Local talent*	No. of employees	Person	11	13	14
	Ratio	%	24.44	26.00	36.80

* Local talent is based on the region of relocation (Busan)

Employee Turnover

Category		Unit	2018	2019	2020
Turnover	Total Turnover	Person (%)	5(0.74)	7(0.98)	10(1.36)
	Voluntary Turnover*	Person (%)	5(100)	7(100)	9(90)

* Voluntary turnover: Ratio of turnover that excluded the involuntary turnover (e.g. retirement, layoff, early/honorary retirement, death, etc.) from the total turnover

Performance of Employee Education and Training

Category		Unit	2018	2019	2020
No. of job competency development training		Sessions	3,829	3,687	3,515
Training cost per employee		KRW	361,176	271,151	201,259
Training hours per employee		Hour	27.03	29.66	22.11

* Based on job competency (excluding common competency, management competency)

Employees Subject to Performance Evaluation and Career Development Review

Category		Unit	2018	2019	2020
Ratio of the performance evaluation application		%	100	100	100

Note) Both regular and non-regular employees are subject to regular evaluation

Standard Entry-Level Wage Compared to the Legal Minimum Wage

As of 2020, the monthly salary of full-time employees is 215% to the legal minimum wage and gender differences in salary has not found.

Category	Unit	2018	2019	2020
Average entry-level wage	KRW 1 thousand	45,538	45,999	46,376

Recruitment of Youth Interns

Category		Unit	2018	2019	2020
Youth Interns	No. of recruited	Person	43	50	38
	No. of jobs converted to regular status	Person	43	50	38
	Ratio of jobs converted to regular status	%	100	100	100

Status of Parental Leave and Childcare Leave

Category		Unit	2018	2019	2020
Parental leave	Users of parental leave	Person	12	12	12
	Users of spouse's parental leave		13	7	15
Childcare leave	Users of childcare leave	Person	10	14	20
	Male		0	0	2
	Female		10	14	18
	Reinstated employee from childcare leave		2	5	8
	Reinstated employee with at least one year in service		2	5	7

Right to Exercise Freedom of Association and Collective Bargaining

KSD has organized labor union in which all employees other than 43 directors and higher-ranking managers are registered as members pursuant to collective agreements. KSD guarantees employees' rights to an organization, collective bargaining, and collective action pursuant to relevant laws and collective agreements while not restricting the unionization or compelling the resignation. Non-unionized workers are also entitled to resort to grievance management procedures to protect their basic rights.

Category	Unit	2018	2019	2020
Unionization rate	%	100	100	100

Social Performance

Minimum Notice Period Regarding Significant Operational Changes

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

Percentage of the Total Workforce Represented in Formal Joint Management-Worker Health and Safety Committees

The labor union represents the rights of workers related to safety and health. A labor-management conference has also been established as a final decision-making agency on safety and health issues through the collective agreement. The conference composed of 3 to 10 corporates and representatives of the union.

Number of Industrial Accidents Including Injury, Occupational Disease, Lost Days, and Absence

Category		Unit	2018	2019	2020
Occupational diseases	Number of occupational disease occurrence	Case	0	0	0
	Occupational disease rate	%	0	0	0
산업재해	Number of industrial accident incidents	Case	0	0	0
	Industrial accident rate	%	0	0	0
Lost days	Lost days	Day	0	0	0
	Lost day rate	%	0	0	0

Donation

Category	Unit	2018	2019	2020
Total donation	KRW 1 million	2,693.7	2,015.8	3,774.5

※ In 2019, according to the revision of the 「Microfinance Support Act」 (enforced on November 26, 2019), approximately KRW 16.8 billion in negligence payment of stock market laggards was donated to the Korea Inclusive Finance Agency.

Elimination of Child and Forced Labor

KSD complies with the International Labor Organization's Convention Concerning the Prohibition of and Immediate Actions Toward the Elimination of the Worst Forms of Child Labor and the labor standards of the UN Global Compact. We have not violated the policy of forced labor and prohibiting child labor since the establishment of the corporation as well as thoroughly preventing the child labor.

Human Rights Impact Assessment and Supervision

KSD conducts an external integrity survey on the relationship with partner companies for head office and all branch offices and enhances the level of human rights and fairness through a self-evaluation system of ethical management.

Performance of Sexual Harassment Training

Category		Unit	2018	2019	2020
Sexual harassment prevention training	No. of participants	Person	529	529	604
	Training hours per person	Hour	4	4	4

* The average number of participants in the 1st and 2nd half of the year as conducted twice a year

Local Purchasing Policy

In accordance with the “Special Act on the Construction and Support of Innovation Cities”, we as a public institution relocated to Busan purchase goods and services produced in Busan first.

Number of substantiated complaints regarding breaches of customer privacy and losses of customer data

Category	Unit	2018	2019	2020
Number of customer privacy protection violations	Case	0	0	0
Number of customer complaints related to customer data and privacy	Case	0	0	0
Actions taken against violations	-	-	-	-

Violation of Laws Related to Insider Trading and Subcontracting

Category	Unit	2018	2019	2020
No. of law violations	Case	0	0	0
Actions taken against law violations	-	-	-	-

GRI Standards Index

Classification	Disclosure Numbe	Disclosure Title	Page	Note
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosures 2016	Organizational Profile			
	102-1	Name of organization	4	
	102-2	Activities, brands, products, and services	4-7	
	102-3	Location of headquarters	4	
	102-4	Location of operations	4	
	102-5	Ownership and legal form	4	
	102-6	Markets served	4	
	102-7	Scale of the organization	4	
	102-8	Information on employees and other workers	101-102	
	102-9	Supply chain	63-65	
	102-10	Significant changes to the organization and its supply chain	-	Business Report pp.7-10
	102-11	Precautionary Principle or approach	92-95	
	102-12	External initiatives	110-112	
	102-13	Membership of associations	114-115	
	Strategy			
	102-14	Statement from senior decision-maker	2-3	
	102-15	Key impacts, risks, and opportunities	2-3	
	Ethics and Integrity			
	102-16	Values, principles, standards, and norms of behavior	69-73	
	102-17	Mechanisms for advice and concerns about ethics	69-73	
	Governance			
	102-18	Governance structure	90-91	
	102-22	Composition of the highest governance body and its committees	90-91	
	102-23	Chair of the highest governance body	90-91	
	102-24	Nominating and selecting the highest governance body	90-91	
	102-25	Conflicts of interest	90-91	
	102-26	Role of highest governance body in setting purpose, values, and strategy	90-91	
	102-28	Evaluating the highest governance body's performance	90-91	
	102-33	Communicating critical concerns	90-91	
	102-35	Remuneration policies	90-91	
	102-36	Process for determining remuneration	90-91	
	Stakeholder Engagement			
	102-40	List of stakeholder groups	96-97	
	102-41	Collective bargaining agreements	103-104	
	102-42	Identifying and selecting stakeholders	96-97	
	102-43	Approach to stakeholder engagement	96-97	
	102-44	Key topics and concerns raised	96-97	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	-	N/A
	102-46	Defining report content and topic Boundaries	96-97	
	102-47	List of material topics	96-97	
	102-48	Restatements of information	-	
	102-49	Changes in reporting	96-97	
	102-50	Reporting period	-	About This Report
	102-51	Date of the most recent report	-	About This Report
	102-52	Reporting cycle	-	Published every two years since 2017
	102-53	Contact point for questions regarding the report	-	About This Report
	102-54	Claims of reporting in accordance with the GRI Standards	-	Based on Core Option
	102-55	GRI content index	106-107	
	102-56	External assurance	108-109	

Classification	Disclosure Numbe	Disclosure Title	Page	Note
Economic Performance(GRI 200)				
Economic Performance	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	22
	GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	99
		201-2	Financial implications and other risks and opportunities due to climate change	112
Indirect Economic effect	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	50
	GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	51-56
		203-2	Significant indirect economic impacts	50-57
Anti-Corruption	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	69
	GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	72-73
		205-2	Communication and training on anti-corruption policies and procedures	69-73
		205-3	Confirmed incidents of corruption and actions taken	72-73

Classification		Disclosure Number	Disclosure Title	Page	Note
Environmental Performance(GRI 300)					
Energy	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	66	
	GRI 302: Energy 2016	302-1	Energy consumption within the organization	100	
Emissions	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	66	
	GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	100	
		305-2	Indirect (Scope 2) GHG emissions	100	
Effluents and Waste	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	66	
		306-2	Waste by type and disposal method	100	
Environmental Compliance	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	66	
	GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	100	
Social Performance(GRI 400)					
Employment	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	34	
	GRI 401: Employment 2016	401-1	New employee hires and employee turnover	101-102	
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	40-41	
		401-3	Parental leave	41, 103	
Labor/ Management Relations	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	34	
	GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	104	
Occupational Health and Safety	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	74	
		403-1	Occupational health and safety management system	74-76	
		403-2	Hazard identification, risk assessment, and incident investigation	74-76, 104	
		403-3	Occupational health services	74-76	
	GRI 403: Occupational Health and Safety 2018	403-4	Worker participation, consultation, and communication on occupational health and safety	74-76	
Training and Education	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	34	
		404-1	Average hours of training per year per employee	102	
		404-2	Programs for upgrading employee skills and transition assistance programs	35-37	
	GRI 404: Training and Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	102	
Diversity and Equal Opportunity	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	34	
	GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	90-91, 101-102	
		405-2	Ratio of basic salary and remuneration of women to men	103	
Non-Discrimination	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	78-88	
	GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective action taken	-	N/A
Freedom of Association and Collective Bargaining	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	78-88	
	GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	N/A
Child Labor	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	78-88	
	GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	-	N/A
Forced or Compulsory Labor	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	78-88	
	GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	-	N/A
Human Rights Assessment	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	78-88	
	GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	78-88	
		412-2	Employee training on human rights policies or procedures	78-88	
Local Communities	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	50-51	
	GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	50-57	
Marketing and Labeling	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	-	
	GRI 417: Marketing and Labeling 2016	417-2	Incidents of non-compliance concerning product and service information and labeling	-	N/A
		417-3	Incidents of non-compliance concerning marketing communications	-	N/A
Customer Privacy	GRI 103: Management Approach 2016	103-1, 2, 3	Explanation of the material topic and its boundaries, The management approach and its components, Evaluation of the management approach	44, 94-95	
	GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	105	N/A

Independent Assurance Statement

Dear KSD Stakeholders

Korea Foundation for Quality (KFQ) was engaged by Korea Securities Depository (KSD) to assure the KSD Sustainability Report 2021 (hereinafter the “Report”). KFQ is responsible for independently presenting third-party assurance on the Report based on the assurance standards below, and KSD management is solely responsible for the preparation of the Report.

Assurance Standards

This assurance was planned and performed according to Accountability’s AA1000AS v3 and AA1000AP S (2018), which is the international assurance standards, for the assurance of the organization’s activities and performance disclosed in the Report. The assurance team conducted “Type 1” level of assurance which evaluates compliance with the Four principles of Accountability (inclusivity, materiality, responsiveness, and impact) and the “Moderate Level” assurance based on the limited evidence. In addition, compliance with the following reporting requirements was assessed, which are the core options of the GRI Standards.

- GRI Standards Reporting Principles
- Universal Standards
- Topic Specific Standards
 - Management Approach of Topic-Specific Standards
 - Economic Performance: 201-1, 201-2
 - Indirect Economic Impacts: 203-1, 203-2
 - Anti-Corruption: 205-1, 205-2, 205-3
 - Energy: 302-1
 - Emissions: 305-1, 305-2
 - Waste: 306-2
 - Environmental Compliance: 307-1
 - Employment: 401-1, 401-2, 401-3
 - Labor/Management Relations: 402-1
 - Occupational Health and Safety: 403-1, 403-2, 403-3, 403-4
 - Training and Education: 404-1, 404-2, 404-3
 - Diversity and Equal Opportunity: 405-1, 405-2
 - Non-Discrimination: 406-1
 - Freedom of Association and Collective Bargaining: 407-1
 - Child Labor: 408-1
 - Forced or Compulsory Labor: 409-1
 - Human Rights Assessment: 412-1, 412-2
 - Local Communities: 413-1
 - Marketing and Labeling: 417-2, 417-3
 - Customer Privacy: 418-1

Method of Assurance

In order to confirm the validity of the report contents by applying the criteria specified above, the assurance team reviewed the relevant procedures, systems, methods of control, and available performance data. For non-financial information, data provided by KSD, the previous sustainability reports, published business reports, and data collected through the media and on the Internet were compared and reviewed. For financial information, it was confirmed whether it was accurately extracted from the financial statements disclosed in the ALIO (All Public Information In-One) (<http://www.alio.go.kr>). This assurance was conducted only through written assurance, excluding on-site visits. The materiality assessment procedures in the Report, the selection of issues taking stakeholders into account, the reliability of the data collection and management and report preparation procedures, and the validity of the description were evaluated through written questionnaires. Then, it was confirmed that some errors, inappropriate information, and unclear expressions found in the above steps were properly supplemented in the final report provided by KSD.

Conformity and Independence

The review team for this assurance was organized in accordance with the internal regulations of KFQ. Other than the independent assurance services, KFQ does not have any other interests that may deteriorate the independence and impartiality of the assurance throughout the business of KSD.

Limitations

The completeness and responsiveness of the performance data presented in the Report have their limitations according to the characteristics of the data and the method of determining, calculating, and estimating the numerical value. The assurance team conducted a comparative review on the information and supporting information provided under the contract, and did not confirm the reliability of the original data.

Findings and Conclusions

Based on the assurance activities stated herein, KFQ confirmed that the Report meets the GRI Standards 'Core Option' and reasonable grounds to provide Type 1 level of assurance of AA1000AS v3 were secured according to the following principles. No significant errors or inappropriate matters in relation to the principles were found in the Report.

- Inclusivity: whether KSD actively identifies stakeholders, and encourages them to engage in selecting important sustainability topics for the organization and deriving effective response strategies
 - KSD collects feedback from various stakeholders including customers, local communities, academia, employees, and shareholders through appropriate communication channels such as customer CS camps, volunteer groups, academic conferences, labor-management councils, and general shareholders' meetings. No evidence was found of missing key stakeholders in the Report, other than those specified in the Report.
- Materiality: whether KSD gives priority to each topic in consideration of the impact of each sustainability topic on the organization and stakeholder, and whether the contents are being applied to overall management activities
 - KSD identifies material issues by prioritizing them based on materiality assessment of related issues in terms of their relevance to business operation and practical importance. It was confirmed that the issues identified in the process of materiality assessment were disclosed in the Report without omission.
- Responsiveness: Whether KSD responds in a timely manner to the demands, interests, and expectations of stakeholders that affect our sustainability performance
 - KSD responds to the demands and major concerns collected from stakeholders in a timely manner. No evidence that the organization's responses to material issues and performance were incorrectly reported was found.
- Impact: whether KSD fully considers the impact of material topics based on its understanding of stakeholders' concerns
 - It has been confirmed that KSD identifies and monitors the impact of material issues related to stakeholders across all business activities, and reports them to the full extent.

Recommendations for Improvement

We recommend the following progressive approach to systematize sustainability management and effectively disclose the results of the Report:

- We expect that the opinions of external stakeholders will be actively collected so that the interests of each stakeholder group can be reflected in a more balanced manner in the future report.
- As a new organization that expresses its support for the TCFD, we expect that KSD will disclose its business activities and financial information related to climate change continuously and transparently.

UNGC & UN SDGs

UNGC(United Nations Global Compact)








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

Category	Principles	KSD's Activities
Human Right	1. Businesses should support and respect the protection of internationally proclaimed human rights; and 2. Make sure they are not complicit in human rights abuses.	KSD established its Human Rights Management Declaration and Guiding Principles to implement people-centered human rights management in business activities. We also conduct human rights impact assessments to examine potential factors of human rights violations and manage relevant risks.
Labor	3. Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining; 4. The elimination of all forms of forced and compulsory labor; 5. The effective abolition of child labor; and 6. The elimination of discrimination in respect to employment and occupation.	KSD guarantees freedom of association and collective bargaining and operates labor-management channels to encourage active communication and problem-solving. We respect diversity and prohibit discrimination based on gender, education, religion, etc.
Environment	7. Businesses are asked to support a precautionary approach to environmental challenges; 8. Undertake initiatives to promote greater environmental responsibility; and 9. Encourage the development and diffusion of environmentally friendly technologies.	KSD plays a leading role in creating low-carbon financial infrastructure using its corporate specialties, such as electronic securities and E-voting systems. We also make continued efforts to reduce GHG emissions by, for instance, building green offices and participating in forest carbon offset projects.
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	We have set up an ethical management system by establishing the Code of Conduct and other ethical guidelines to create an upright corporate culture. We also undertake various activities to internalize ethical awareness, including projects to spread an anti-corruption/ethical culture and establishing measures to eliminate power abuse.

UN SDGs(Sustainable Development Goals)



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

Category	Goals	KSD's Activities
 Goal 4.	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	<ul style="list-style-type: none"> • Provide financial education to young adults and local communities and operate the Securities Museum • Enhance the financial education infrastructure of Busan
 Goal 5.	Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> • Practice socially equitable employment and operate female HR development programs • Conduct anti-sexual harassment educational programs and operate grievance handling channels
 Goal 8.	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all	<ul style="list-style-type: none"> • Support the economic independence of socially vulnerable groups • Support disabled small-business owners through the Dream Come True Store project • Create quality jobs through the Job Creation HQ
 Goal 13.	Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> • Establish a green office to decrease greenhouse gas emissions • Carry out Forest Carbon Offset Project for creating meditation forests in schools • Build low-carbon financial infrastructure including electronic securities and electronic voting systems
 Goal 16.	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels	<ul style="list-style-type: none"> • Establish the Code of Ethics and operating regulations • Operate the solicitation registration and internal control systems

Human Rights Reporting Index

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

UN Guiding Principles Reporting Framework

Category	Items		Description	Page
Governance of Respect for Human Rights	A1	Human rights policies	Whether the company makes public its commitment to respect for human rights	78-88
	A2	Internalizing respect for human rights	Efforts to internalize the company's commitment to respect for human rights	
Defining the Focus of Reporting	B1	Statement of salient human rights issues	Salient human rights issues relating to business activities	
	B2	Determination of major human rights issues	Methods of determining salient issues	
	B3	Choice of focal geographies	Focal geographies and methods of selection	
	B4	Potential issues	Defining potential issues	
Management of Salient Human Rights Issues	C1	Specific policies to address salient human rights issues	Specific policies to address salient human rights issues	
	C2	Stakeholder engagement	Stakeholder engagement regarding each salient human rights issue	
	C3	Impact assessment	Identifying sustainable human rights issues	
	C4	Responses to human rights issues	Integrating salient human rights issues into decision-making processes and actions	
	C5	Performance evaluation	Effectiveness of company's efforts to address salient human rights issues	
	C6	Remedies	Providing effective remedies to people whose human rights have been violated	

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

Category	Items						Description
	Total	Yes	Supplementation Required	No	No data	N/A	
Human Rights Management System	35	35					Declaration of human rights policies; Conducting regular human rights impact assessments; Establishment of a human rights management system; Reflecting results of human rights management performance; Establishment of remedies
Prohibit Discrimination in Employment	17	15				2	Gender equality in employment; Equal treatment of non-regular workers and foreign workers
Guarantee Freedom of Association and the Right to Collective Bargaining	15	15					Guarantee of freedom of association and collective bargaining; Guarantee of labor union activities; Faithful implementation of collective bargaining
Prohibit Forced or Compulsory Labor	11	11					Prohibition of forced labor and unfair overtime work
Prohibit Child Labor	14	6				8	Prohibition of hiring minors
Guarantee Industrial Safety	21	19	1			1	Guarantee of employee safety; Protection of pregnant women and disabled workers
Manage a Responsible Supply Network	13	7	3			3	Prevention and monitoring of human rights violations in suppliers; Prevention of human rights violations by security personnel
Protect the Human Rights of Local Community Residents	4	4					Respect for the human rights of local community residents; Property protection
Guarantee Environmental Rights	18	16		1		1	Establishment and maintenance of environmental management system; Disclosure of environmental information; Establishment of emergency plans
Protect Consumer Right	15	15					Compliance with customer protection laws; Actions in case of service abnormalities; Protection of customer's personal information
Respect and Improve the Human Rights of Employees	21	20				1	Guarantee of working hours, quality welfare benefits, and maternity protection; Prevention of violence and sexual harassment

TCFD

Category	KSD's Activities
Governance	
Disclose the organization's governance on climate-related risks and opportunities.	KSD has established a sustainable management strategy system to create social values and grow together with stakeholders. Under the vision of 'Thriving with the market, the Innovative Financial Platform', we have established three strategic directions of communication, mutual growth, and responsibility along with seven sustainability management tasks. We are also carrying out activities to maximize social value based on the roadmap and to promote sustainability management within the organization by 2025.
Strategy	
Disclose the actual and potential impacts on the organization's businesses, strategic and financial plans, where information on risks and opportunities related to climate change is materially important.	<p>As a comprehensive securities service provider, KSD identifies risks and opportunities in sustainability issues, including climate change, in order to realize its vision of contributing to the development of the capital market by providing convenient and safe financial investment infrastructure.</p> <p>The physical risks that may arise from climate change include a decline in the value of infrastructure and real assets due to abnormal climate events. With the establishment of the new IT center in 2020, the number of IT infrastructure systems increased by more than 25% compared to the previous year, which increases its exposure to physical risks. In addition, in the process of transitioning to a low-carbon economy and society, related regulations have emerged and their impact on the capital market is growing. Failure to adequately respond to these transitional risks may make it difficult for KSD to provide stable services as a comprehensive securities service provider.</p> <p>In response to these physical and transitional risks caused by climate change, KSD is incorporating climate change response activities into the organization's sustainability management strategy, and continuously carrying out company-wide eco-friendly management activities. KSD is also creating new opportunities with the introduction of new businesses using innovative technologies such as the electronic securities system and e-voting that have replaced the issuance of real securities.</p> <p>KSD will actively reflect various activities for a stable transition to a low-carbon economy and the development of the capital market in the organization's sustainability management strategy. In addition, KSD will flexibly respond to all possibilities by monitoring domestic and overseas regulatory and institutional changes related to climate change, such as the 2°C scenario and the government's 2050 carbon neutral scenario.</p> <p>* Physical risks: risks in business infrastructure caused by the deepening of unusual weather phenomena and extreme weather events</p> <p>* Transition risks: risks related to policy and regulation, technology, market changes, and reputation that arise in the process of transitioning to a low-carbon economy</p>
Risk Management	
Disclose how the organization identifies, assesses, and manages climate-related risks.	<p>KSD is actively collaborating with relevant departments to respond to climate change. Major risks are shared at the enterprise level through relevant committees such as the KSD Social Contribution Committee and are incorporated into the organization's overall risk management.</p> <p>KSD also identifies key sustainability management issues related to the organization and listens to the feedback of members through a survey during materiality assessment with a focus on related risks and impacts. The results are disclosed through the sustainability report and are reflected in the organization's sustainability management strategic tasks and key activities.</p>
Metrics & Targets	
Disclose the metrics and targets used to assess and manage relevant risks and opportunities related to climate change, where the information is material from a financial standpoint.	<p>KSD discloses its greenhouse gas emissions (Scope 1 + Scope 2), energy consumption, waste information, green purchases, and investment in environmental protection for the last three years through its sustainability report. When it comes to the investment in the environment, the LED replacement rate and the percentage of eco-friendly vehicles used are disclosed. As of 2020, the LED replacement rate and the percentage of eco-friendly vehicles used stood at 100% and 66%, respectively.</p> <p>Going forward, we will continue to increase the use of eco-friendly vehicles, contributing to the mitigation of climate change through carbon reduction and annual forest carbon offset projects.</p>

Declaration of Human Rights Management

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

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

Awards and Associations

Awards	Hosting organization	Year
Leading Organization for Gender Equality by Ministry of Employment and Labor	Ministry of Employment and Labor	2014
Commendation for Social Contribution and Women's Rights from the Minister of Gender Equality and Family	Ministry of Gender Equality and Family	2014
Prime Minister's Award at the National Infrastructure Disaster Management Assessment	Ministry of Public Safety and Security	2015, 2016
Korea Management Award in the Creative Management category	KMAC	2015
Customer Satisfaction and Management Award	Korea Economic Daily, Korea Sustainability Management Evaluation	2016
Gold Prize in IT Innovation at the 2016 Korea Securities Awards by Maeil Business Newspaper	Maeil Business Newspaper	2016
Awarded as an Exemplary Taxpayer by the Director of the National Tax Service on the 50th Taxpayer's Day	National Tax Service	2016
Award from the Minister of Education at the Korean Donations for Education Awards	Korea Foundation for the Advancement of Science and Creativity, Ministry of Education	2016
Award from the Minister of Oceans and Fisheries for City-Fishing Village Exchange	National Federation of Fisheries Cooperatives, Ministry of Oceans and Fisheries	2016
Commendation from the Minister of Land, Infrastructure, and Transport for National Merit in the Promotion of Regional Industry	Ministry of Land, Infrastructure, and Transport	2016
Best Practices in Business Management by a Public Institution in 2016	Ministry of Strategy and Finance	2017
Commendation from the Mayor of Busan as a Golden Taxpayer on the 51st Taxpayers' Day	Busan Metropolitan City	2017
Special Prize (Meritorious Service Award) at the Korean Retirement Pension Grand Prize	Maeil Business Newspaper, FnGuide	2017
Commendation from the Vice Chairman of the Presidential Committee on Jobs at the Job Creation Contest for Public Institutions	Ministry of Strategy and Finance	2017
Grand Prize at the Job Creation Exemplary Management Awards of Korea 2018	Dong-a Ilbo	2018
Excellence Award at App Awards Korea 2018	Korea Internet Professionals Association	2018
Commendation from the Deputy Prime Minister and Minister of Education for Job Creation, Korea Social Contribution Award 2018	Korea Institute of Service Industry	2018
Merit Award at the KOSDAQ Listed Companies Association Foundation Ceremony	KOSDAQ Listed Companies Association	2019
Foreign Currency Securities Lending Service of the Year	The Asset	2019
Award from the Minister of Employment and Labor at the Social Contribution Awards 2019	Chosun Biz	2019
2020 Job of the Year Grand Prize in the Employment Support category	Chosun Ilbo	2020
2020 Government Award for Job Creation presented in the Public Sector Regular Job category presented by the Minister of Employment and Labor	Ministry of Employment and Labor	2020
2020 Maekyung Securities Awards Special Prize	Maekyung Media Group	2020

Category	Associations	Key activities
Overseas	ACG (Asia Pacific CSD Group)	Promoting information exchange and business cooperation between Asia Pacific CSD groups
	ICOM (International Council of Museums)	Securing a network with overseas museums and obtaining related information
	ISSA (International Securities Services Association)	Promoting information exchange between those in charge of securities management and settlement and improving securities-related businesses
	UN Global Compact	Complying with global ethics codes and submitting COP reports
	Hong Kong-based Korean Financial Investment Institution Conference	Promoting cooperation and information-sharing among Korean financial institutions in Hong Kong
	WFC (World Forum of CSDs)	Promoting information-sharing among global CSDs, discussing common issues, and enhancing cooperation
Domestic	Gyeonggi Provincial Museum Council	Obtaining related information and promoting cooperation
	Korea Listed Companies Audit Association	Promoting information exchange and building a mutual network
	Seoul National University Center for Financial Law	Identifying the latest trends of financial systems and promoting academic activities
	Securities Agency Council	Discussing businesses between securities agency institutions and building a network
	Korea Options, Swaps & Derivatives Association (KOSDA)	Stimulating derivatives market, sharing information related to the derivatives market, improving related systems, presenting policy alternatives, collaborating with domestic and overseas institutions, forming a community among derivatives market practitioners, and enhancing ethical awareness among participants
	Korea IR Service Association	Providing corporate information through active communication among companies, shareholders, and investors, and holding related workshops, and sharing information to build trust
	Korea Institute of Internal Auditors	Promoting information exchange among auditors
	Korea Financial Law Association	Promoting research related to financial law, engaging in research on financial law
	Korea Financial Investment Association (KOFIA)	Promoting exchange and collaboration for the development of the financial investment industry
	Korea Corporate Governance Service	Cooperating in research on corporate governance and social responsibility
	Korea Management Association	Attending training hosted by Korea Management Association and engaging in related research activities
	Korean Museum Association	Obtaining related information and carrying out PR activities for museums
	Korea Commercial Law Association	Supporting academic research and policy research in relation to commercial law
	Korean Financial Management Association	Applying the theory and practice of financial management
	Korea Securities Law Association	Carrying out academic research activities that are the basis for establishing securities-related systems and policies
	Korea Securities Association	Promoting institutional development, identifying academic trends, and promoting KSD-related research
	Korea Payment and Settlement Association	Promoting research related to domestic and foreign payment and settlement systems
	Korea Accounting Association	Promoting research in accounting according to the introduction of International Financial Reporting Standards (IFRS)
	Financial Innovation Hub Forum	Engaging in research and businesses for the development of financial investment businesses and financial innovation hubs
	Institute for Social Responsibility of Public Sector Institutions	Setting directions of social value realization activities in public sectors and researching the implementation plan

History

The Era of Korea Securities Settlement

1974~1985

- 1974** Founded as the Korea Securities Settlement Corporation (KSSC)
- 1975** Initiated separate safe-custody, transfer agent, and trade settlement services
- 1976** Opened the Busan branch
- 1982** Launched book-entry transfer for bond trading
- 1983** Centralized deposit of securities
- 1985** Implemented the Consecutive Deposit System

The Era of Securities Depository

1988~2004

- 1988** Opened branch offices in Jeonju, Daegu, Daejeon, and Gwangju
- 1990** Initiated depository services for overseas securities and institutional settlement services
- 1992** Adopted the New Issue Blanket Deposit and proxy voting service, and initiated the OTC stock trading settlement service
- 1993** Launched the participant terminal system (KSD-Net) and was authorized as a registrar of public and corporate bonds
- 1994** Transformed into the Securities Depository, launched depository and settlement services for foreign currency securities, and was designated as a public organization pursuant to the Regulation of Tax Reduction and Exemption Act
- 1995** Partnered with EuroClear and joined SWIFT (Society for Worldwide Interbank Financial Telecommunication)
- 1996** Initiated the beneficiary certificate issuance service and securities lending transaction services
- 1997** Adopted the beneficial owner certificate system and initiated the CD deposit service and Development Trust Notes deposit service
- 1998** Initiated the commercial paper (CP) deposit service and completed construction of the Ilsan center
- 1999** Initiated the overseas CB conversion agent service, substitute securities management service for futures transactions, and gold deposit service
- 2000** Launched third-market settlement services and held the 4th ACG General Meeting in Seoul
- 2001** Launched the Repo management service for customers
- 2002** Launched the stock option settlement service and relocated to a new office building in Yeouido
- 2003** Transfer agent service certified with ISO9001 and securities deposits surpassed KRW 1,000 trillion in total market capitalization
- 2004** Commenced the registered issuance of housing bonds, opened the Securities Museum, was designated as an F/X information reporting institution, and launched FundNet

The Era of Securities Depository and Settlement

2005~2008

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

The Era of Korea Securities Depository

2009~2020

- 2009** Changed the name into Korea Securities Depository, founded the KSD Nanum Foundation, and initiated global fund investment services
- 2010** Opened the internal control system and initiated the electronic voting management system (K-evote)
- 2011** Opened the next-generation SAFE+, established the Hong Kong Office, and held ACG15
- 2012** Initiated the ABCP plan registration service and cut securities trading-related commissions by 20%
- 2013** Opened electronic short-term bond services, opened the securities information portal SEIBro, initiated settlement services for the KONEX market, and was licensed as a CCP (Central Counterparty) for institutional settlement of equity pursuant to the Capital Markets Act
- 2014** Launched the custody and settlement service for the gold spot market and relocated headquarters to Busan
- 2015** Commenced the LEI (Legal Entity Identifier) issuance service and launched the PensionClear system
- 2016** Launched the central record management service for crowdfunding, launched the ISA-Net service, exported NFS to KSEI Indonesia, and was licensed as an Electronic Securities Registrar
- 2017** Launched SLB collateral transaction services, opened the Korean GCF Repo trading system, and was licensed as the LOU Local Operating Unit (LOU) for Legal Entity Identifier (LEI) issuance
- 2018** Launched retirement pension provider information management service, expanded eligible collateral for SLB transactions, established subsidiary KSDREAM Co., Ltd., launched foreign currency denominated securities lending service, launched foreign currency RP service
- 2019** Opened the Electronic Securities System
- 2020** Opened a new IT Center and a new electronic voting system (K-VOTE)

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**Thriving with the Market,
the Innovative Financial Platform**
2021 Sustainability Report

