NPS National Pension Service

NATIONAL PENSION FUND REPORT 2024

Netlist EX2137
Samsung v. Netlist
IPR2025-01431

National
Pension Service

CONTENTS

CEO's Message 3
CIO's Message 4

I Investment Performance

1. Our Portfolio 11
2. Our Performance 13
3. By Asset Class 15

II About National Pension

1. National Pension Plan 31
2. National Pension Fund 33

III Organization

1. National Pension Service 37
2. NPS Investment Management 39
3. Governance 41

IV Key Policies

1. Asset Allocation 47
2. Risk Management 52
3. Responsible Investment 53
4. Performance Assessment 61

Appendix

1. 2024 Financial Statements 65
2. Disclosures 75
3. FMC Meetings 76
4. External Managers Selection Criteria 78
5. Key Statistics 79

KIM Tae-hyun

Chairperson and Chief Executive Officer, National Pension Service

Established in 1988 to strengthen and safeguard the retirement security of the people of the Republic of Korea, the National Pension Plan has evolved into a cornerstone of the country's social security systems, serving more than 21.98 million contributors and 7.16 million beneficiaries as of December 31, 2024. The National Pension Fund has also grown from around KRW 500 billion at its inception to KRW 1,213 trillion in assets under management, solidifying its position as one of the world's largest pension funds.

The overall market conditions in 2024 were challenging for domestic and global investors alike, driven by a range of complex factors: geopolitical risks, such as the prolonged war in Ukraine and conflict in the Middle East, concerns over a recession, the presidential election in the U.S., and domestic political instability. Amid such difficult circumstances, the NPS developed and executed mid- to long-term strategies for asset allocation and risk distribution in an effective and coherent manner, and maintained its focus on enhancing fund management infrastructure by increasing the number of investment professionals, opening a new overseas office, and strengthening the functions of overseas offices.

As a consequence, the NPS achieved a record money-weighted return of 15.00% in 2024, the highest for two consecutive years since the inception of the NPS Investment Management. In particular, overseas assets played a significant role in achieving the double-digit returns.

Going forward, the NPS will continue its commitment to enhancing investment returns and coping with a rapidly evolving global financial environment. Furthermore, we will actively contribute to a sustainable future and the successful implementation of the pension reforms passed by the National Assembly in March 2025—the first major step since the last reform in 2007.

Thank you.

SEO Won-joo

Executive Fund Director and Chief Investment Officer, National Pension Service

The NPS Investment Management (NPSIM), a dedicated fund management arm of the NPS, was founded in 1999 to manage and invest the National Pension Fund more systematically and professionally. Initiated with only six teams, the NPSIM has turned into a global fund management organization, consisting of three Managing Directors, 15 divisions, and four overseas offices as of 2024.

The Financial Assets portfolio generated a time-weighted return of 15.32%, reaching a new record high for the second consecutive year. Just one year after surpassing the KRW 1,000 trillion milestone, the Fund's assets under management increased by KRW 177 trillion to KRW 1,213 trillion. 90% of the KRW 177 trillion, or KRW 160 trillion, came from investment income. The amount is almost equivalent to three times the contributions collected in 2024, totaling KRW 62 trillion, and four times the benefits paid to beneficiaries, amounting to KRW 44 trillion.

This strong performance reflects our ongoing efforts to diversify investment portfolios and reinforce the investment base to adapt to dynamic market conditions. Notably, in 2024, we decided to adopt the Reference Portfolio to increase flexibility in fund management, applied active management previously managed solely by external managers to internally managed global equities, and constantly enhanced fund management infrastructure, including the opening of an overseas office in San Francisco.

Looking ahead, as an investor dedicated to protecting and improving the retirement security of the people, the NPSIM will continuously strive to ensure the flawless execution of the Reference Portfolio, enhance the fund management infrastructure, thoroughly manage risks, and deliver the highest possible returns.

Thank you.

Milestones

1988
KRW
0.5
trillion

2003
KRW
100
trillion

2007
KRW
200
trillion

1988
- Established the National Pension Fund (KRW 527.9 billion in AUM)
- Commenced investment in domestic fixed income

1990
- Commenced investment in domestic equities

1999
- Established the NPS Investment Management (NPSIM)
- Reformed the National Pension Fund Management Committee (Chair: Minister of Economy and Finance → Minister of Health and Welfare, # of Members: 15 → 20)

2001
- Commenced global investment

2002
- Commenced investment in domestic venture capital
- Commenced investment in global equities

2003
- Achieved KRW 100 trillion in AUM

2004
- Commenced investment in domestic real estate

2005
- Commenced investment in domestic private equity fund (PEF) and infrastructure
- Commenced investment in global PEF

2006
- Launched externally managed responsible investment funds
- Commenced investment in global real estate

2007
- Commenced investment in global infrastructure
- Achieved KRW 200 trillion in AUM

2013

KRW 400 trillion

2019

KRW 700 trillion

2024

Achieved KRW 1,200 trillion in AUM

2010
- Achieved KRW 300 trillion in AUM

2011
- Opened the New York Office

2012
- Opened the London Office

2013
- Achieved KRW 400 trillion in AUM

2015
- Opened the Singapore Office
- Achieved KRW 500 trillion in AUM

2016
- Commenced investment in global hedge fund

2017
- Achieved KRW 600 trillion in AUM
- Relocated NPSIM to Jeonju

2018
- Adopted Responsible Investment & Governance Principles (Stewardship Code)

2019
- Commenced investment in global private debt
- Achieved KRW 700 trillion in AUM

2020
- Created Managing Director positions (Investment Strategy, Risk Management, Operations)
- Achieved KRW 800 trillion in AUM

2021
- Reorganized Global Public Market Division (Global Equity, Global Fixed Income)
- Commenced investment in Multi-Asset
- Achieved KRW 900 trillion in AUM

2022
- Reorganized Risk Management Division (Public Market, Private Market)
- Acquired the Qualified Foreign Pension Fund (QFPF) Status in the U.S.

2023
- Achieved KRW 1,000 trillion in AUM

2024
- Opened the San Francisco Office
- Achieved KRW 1,200 trillion in AUM

I. Investment Performance

1 | Our Portfolio
2 | Our Performance
3 | By Asset Class

National Pension Fund Report 2024

At a glance

Fund Growth Since Inception (KRW trillion)

Assets Under Management (AUM)

Cumulative Investment Income

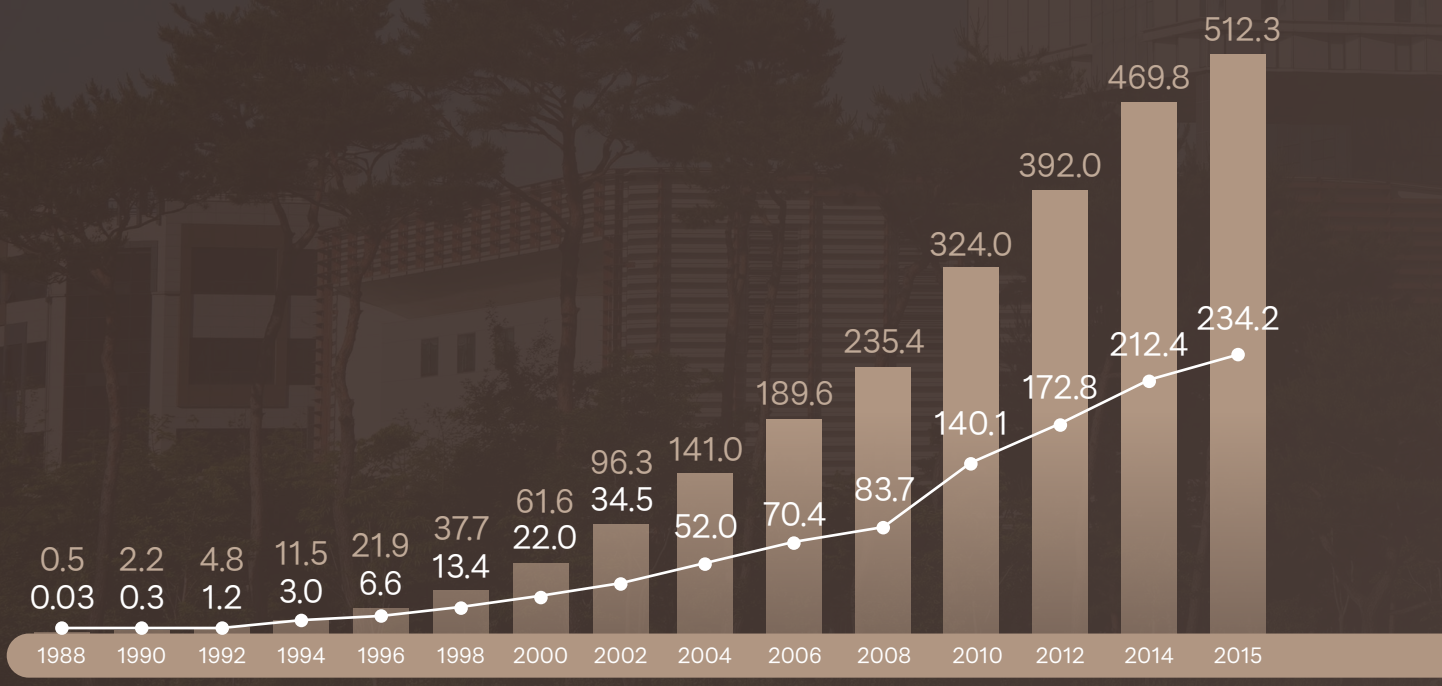
Annualized Return From 1988 to 2024

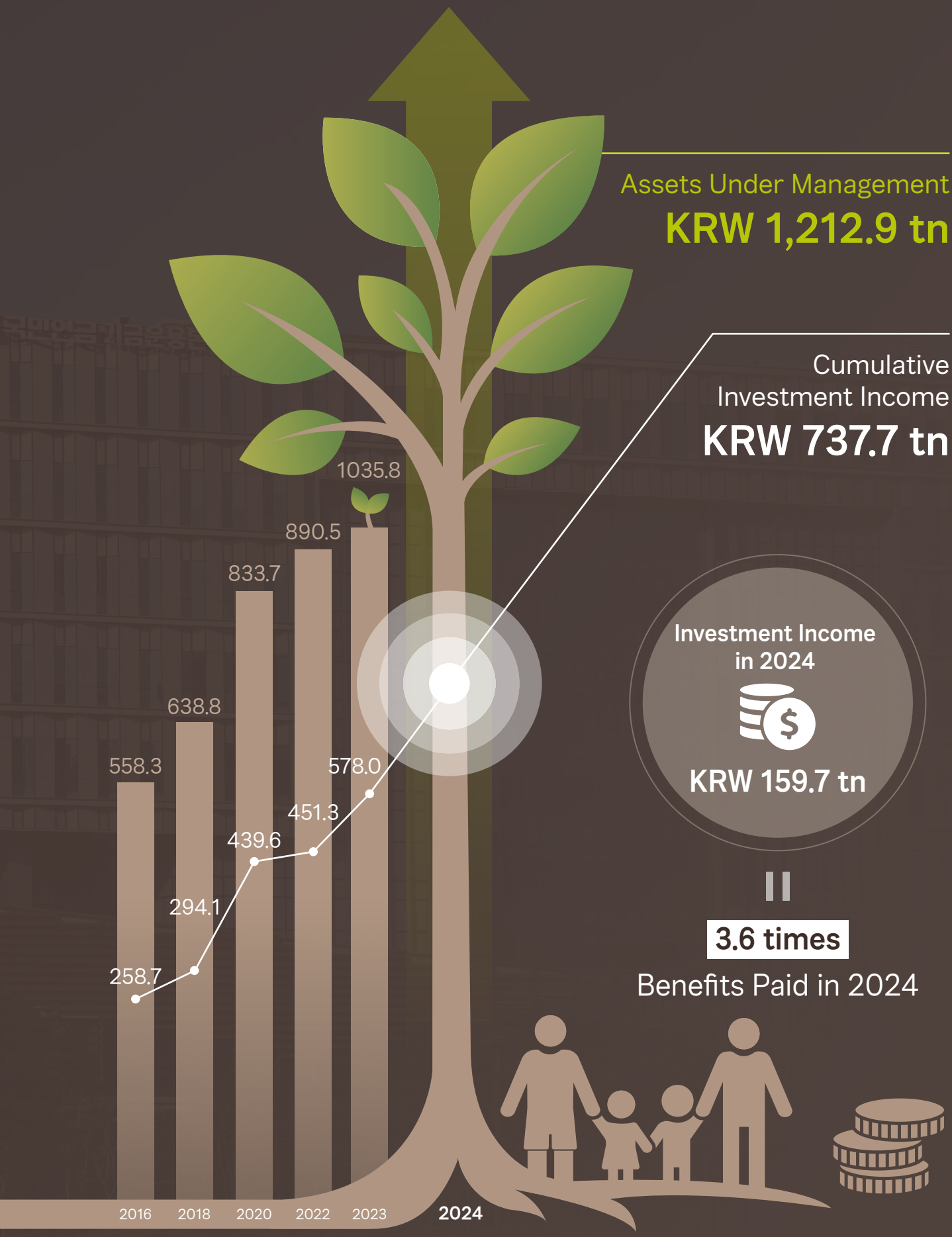
6.82%

Investment Return in 2024

15.00%

* money-weighted return





Assets Under Management

KRW 1,212.9 tn

Cumulative Investment Income

KRW 737.7 tn

Investment Income in 2024

KRW 159.7 tn

=

3.6 times

Benefits Paid in 2024

1 | Our Portfolio

As of December 31, 2024, the market value of the National Pension Fund amounted to KRW 1,212.9 trillion, up 17.09% from the previous year. The growth was driven by a concurrent surge in return on equity and fixed income investments, as well as an increase in the value of alternative assets.

The Fund is managed in three areas: Financial Assets, Welfare Sector, and Others. 99.95% of the Fund is invested in Financial Assets, while 0.05% is allocated to the Welfare Sector and Others. Financial Assets, which comprise most of the Fund, are categorized into equities, fixed income, and alternatives.

Equity assets were valued at KRW 570.7 trillion, up KRW 102.3 trillion from a year ago. Among them, domestic equities stood at KRW 139.7 trillion, down KRW 8.3 trillion from the previous year, while global equities amounted to KRW 431 trillion, up KRW 110.6 trillion year-over-year.

Fixed income assets were valued at KRW 432.6 trillion, up KRW 32.9 trillion from a year ago. Among them, domestic fixed income stood at KRW 344.3 trillion, up KRW 18.3 trillion from the previous year, while global fixed income amounted to KRW 88.3 trillion, up KRW 14.6 trillion year-over-year.

The Fund is invested not only in traditional assets such as equities and fixed income, but also in alternative assets such as real estate, infrastructure, and private equity. As of December 31, 2024, alternative assets were valued at KRW 206.9 trillion, accounting for 17.1% of the Fund. Among them, KRW 25.1 trillion was invested in domestic real estate, infrastructure, venture capital, and private equity, while KRW 181.8 trillion was invested in global real estate, infrastructure, private equity, and hedge funds. Compared to the end of 2023, the portfolio weight of alternative assets increased by 1.2%p, with the investment amount growing by KRW 42.7 trillion.

| Fund Composition

(market value, KRW 100 million, %, %p)

	2024 End (A)		2023 End (B)		Change (A-B)	
	Amount	Weight	Amount	Weight	Amount	Weight
The Fund	12,128,513	100.0	10,357,946	100.0	1,770,567	0.0
Financial Assets[1)]	12,122,568	99.95	10,351,976	99.90	1,770,591	0.05
Equity	5,707,189	47.06	4,684,029	45.22	1,023,160	1.84
(Domestic)	1,397,221	11.52	1,480,418	14.29	-83,197	-2.77
(Global)	4,309,968	35.54	3,203,611	30.93	1,106,357	4.61
Fixed Income	4,325,834	35.67	3,996,958	38.59	328,875	-2.92
(Domestic)	3,442,906	28.39	3,260,233	31.48	182,674	-3.09
(Global)	882,927	7.28	736,726	7.11	146,202	0.17
Alternatives	2,068,842	17.06	1,642,044	15.85	426,799	1.21
(Domestic)	251,240	2.07	246,768	2.38	4,472	-0.31
(Global)	1,817,603	14.99	1,395,276	13.47	422,327	1.52
Short-term Assets	34,743	0.29	24,798	0.24	9,945	0.05
Welfare Sector[2)]	2,051	0.02	2,024	0.02	27	0.00
Others[3)]	3,895	0.03	3,946	0.04	-51	-0.01

Notes:

1) Tactical currency overlay and tactical FX exposure that are not allocated to asset classes among foreign exchange forward are added to the amount of Financial Assets, making the amount of each asset class differ from the amount of Financial Assets.

2) Welfare Sector includes a recreational facility for employees (Cheong Pung Resort), credit recovery support loan, and emergency loan for the elderly (NPS Silver Loan).

3) Others include company buildings and fund in custody.

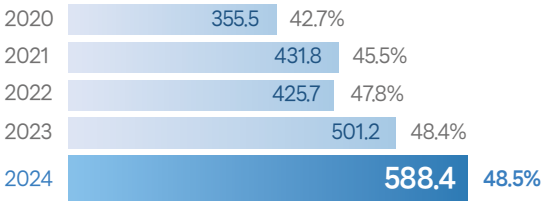
※ The figures above may not add up due to rounding.

Meanwhile, the NPS has entrusted some portion of funds to external managers to diversify risks and enhance returns using their expertise. Given the sheer size of the Fund, the assets are managed by both in-house and external managers. The target range of external management for each asset class is determined by the National Pension Fund Management Committee (FMC), and accordingly, the NPS conducts external management within the set range in consideration of asset characteristics, market conditions, general partners' (GP) capabilities, etc. As of December 31, 2024, externally managed assets were valued at KRW 588.4 trillion, up KRW 87.2 trillion from KRW 501.2 trillion at the end of 2023, and external management accounted for 48.5% of the Financial Assets portfolio, up 0.1%p from the previous year.

Furthermore, the NPS has expanded its global investments to enhance returns through portfolio diversification and mitigate the impact of a large amount of the Fund relative to the country's GDP on the domestic market. Since global investments commenced with Korean bonds denominated in foreign currency in 2001, the NPS has gradually increased exposure to overseas assets in terms of type and value. Currently, the NPS invests in a wide range of asset classes globally spanning real estate, private equity, infrastructure, and hedge funds, in addition to equities and fixed income.

As of December 31, 2024, global investments stood at KRW 702.5 trillion, up KRW 168.5 trillion year-over-year, and made up 57.9% of the Financial Assets portfolio, up 6.3%p from a year ago.

External Management Growth



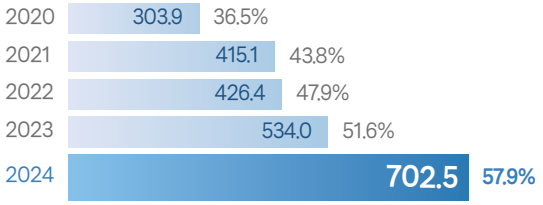
Note: Indicating the weight within the Financial Assets portfolio

(market value, KRW trillion)

	Total	Equity	Fixed Income	Alter-natives
Amount	588.4	293.5	91.6	203.2
(Domestic)	146.1	70.8	53.8	21.5
(Global)	442.3	222.8	37.8	181.8

Note: All of the global alternative assets are managed by external managers.

Growth of Global Investment



Note: Indicating the weight within the Financial Assets portfolio

(market value, KRW trillion)

	Total	Equity	Fixed Income	Alter-natives	Short-term Assets
Amount	702.5	431.0	88.3	181.8	1.5
Weight	100%	34.3%	17.1%	18.3%	20.1%

2 | Our Performance

The NPS posted a 15.00% return, equivalent to KRW 159.7 trillion, for the fiscal year ended December 31, 2024, and achieved a 6.82% annualized return since the inception of the National Pension Fund in 1988, with a cumulative investment income of KRW 737.7 trillion.

The year 2024 was marked by unfavorable global financial market conditions and mounting recession concerns amid slowing employment and consumption-led growth in the U.S. and a trend of slower growth in China. Nevertheless, both stocks and bonds rose in tandem, backed by major countries' interest rate cuts and easing monetary policy stance. In particular, the bullish U.S. stock market led by AI-related tech stocks, as well as monetary easing by major central banks, helped push up the value of global assets. A constant rise in the USD/KRW exchange rate positively affected the investment performance in KRW terms. As a result, in 2024, the NPS achieved a record-breaking return for two consecutive years from 2023 since the founding of NPS Investment Management in 1999.

Shifts in major countries' monetary policies, largely backed by the U.S., alleviated market uncertainty and improved investor sentiment. Global stock markets delivered strong returns fueled by significant gains in tech stocks, especially AI-related ones. Meanwhile, the domestic stock market experienced a slight downturn due to factors such as political instability and concerns over earnings of large tech companies amid a trend of decoupling from the U.S. stock market.

Domestic and overseas fixed income markets gained ground, affected by two interest rate cuts by the Bank of Korea and hopes on interest rate cut in the U.S. Notably, global fixed income investments recorded solid returns in KRW terms, supported by interest income and a rise in the exchange rate, while domestic fixed income investments delivered moderate returns in an environment where the base rate cuts drove a decline in interest rates.

At the same time, alternative markets in 2024 showed a recovery relative to their performance in the previous year. Alternative investments recorded a 17.09% return, driven by the increased value of infrastructure and private equity assets, realized income, a rise in the USD/KRW exchange rate, and efforts to reduce external management fees.

| Fund Management Status

(money-weighted return, market value, KRW 100 million, %)

	2024		3-Year (2022~2024)		5-Year (2020~2024)		Since Inception (1988~2024)	
	Income	Return	Income	Return	Income	Return	Income	Return
Total	**1,597,115**	**15.00**	**2,068,750**	**6.98**	**3,702,332**	**8.13**	**7,377,108**	**6.82**
Public Sector	-	-	-	-	-	-	190,827	8.26
Financial Assets	1,596,807	15.02	2,067,994	6.99	3,701,518	8.14	7,177,276	6.80
Domestic Equity	-102,400	-6.94	-202,575	-4.64	375,771	5.12	948,240	5.40
Global Equity	1,120,969	34.32	1,391,599	16.50	2,161,013	17.81	2,796,026	15.17
Domestic Fixed Income	176,115	5.27	234,754	2.35	245,069	1.49	1,932,173	3.71
Global Fixed Income	133,093	17.14	161,135	7.55	192,622	6.39	331,957	5.80
Alternatives	295,350	17.09	499,874	10.99	745,127	11.69	1,176,570	10.48
Short-term assets	2,626	6.43	4,130	3.46	4,579	2.38	20,299	3.40
Welfare Sector	21	1.06	34	0.59	-50	-0.55	6,031	5.65
Others	288	2.14	722	1.79	864	1.30	2,973	1.52

Notes:

1) Investment income for multiple years refers to the total amount of investment income during the period.

2) Investment return for multiple years refers to an annualized return during the period.

3) Investment in the Public Sector ended in 2000, and the invested capital before the year 2000 was collected by the end of 2005.

· Money-weighted return calculation formula
Money-weighted return = Investment Income ÷ Average Investment Balance * 100
- Investment Income: selling/buying·valuation gain/loss, dividend gain/loss, lending gin/loss, interest income, etc.
- Average Investment Balance: A weighted average of invested principal

In 2024, the NPS posted a time-weighted return of 15.32% in Financial Assets, up 1.17%p from 14.14% at the end of 2023, and achieved solid returns across asset classes, including equities at 21.60%, fixed income at 7.76%, and alternatives at 17.27%.

The best performing asset class in 2024 was global equities delivering a 34.55% return, supported by a 18.44% year-over-year increase in MSCI ACWI (ex-Korea, in USD terms) and a 14.01% rise in the USD/KRW exchange rate. Meanwhile, domestic equities shifted a downward trend from the second half of the year due to the likelihood of Donald Trump's reelection as the president of the U.S., the country's protectionism, and political instability in Korea. KOSPI declined 9.63% from a year ago. Against this backdrop, the domestic equity portfolio posted a negative return, but exceeded its benchmark (reference portfolio return) by 0.76%p.

As for fixed income investments, as of December 31, 2024, interest rates on 3-year Korea Treasury bonds fell by 0.55%p from a year ago, while interest rates on 10-year U.S. Treasury bonds rose by 0.69%p from the previous year. Domestic fixed income investments exceeded their benchmark by 0.11%p, while global fixed income investments underperformed their benchmark by 0.51%p.

Alternative assets recorded a time-weighted return of 17.27% and exceeded their benchmark by 1.72%p. This was partly attributable to the overall recovery trend of fundraising conditions and asset management performance, as well as to a rise in the USD/KRW exchange rate.

Financial Assets Performance

(time-weighted return, %, %p)

		2024년			3-Year (2022~2024)			5-Year (2020~2024)		
		Return	BM	Gap	Return	BM	Gap	Return	BM	Gap
Financial Assets		**15.32**	**15.54**	**-0.23**	**6.48**	**6.62**	**-0.14**	**7.96**	**7.84**	**0.12**
Equity	Domestic	-6.96	-7.71	0.76	-4.25	-4.91	0.66	4.59	3.96	0.63
	Global	34.55	35.37	-0.83	13.51	13.87	-0.36	15.90	15.98	-0.08
Fixed Income	Domestic	5.47	5.36	0.11	2.51	2.40	0.11	1.59	1.48	0.11
	Global	17.65	18.16	-0.51	6.89	6.83	0.07	5.59	5.53	0.06
Alternatives	Total	17.27	15.55	1.72	10.82	10.86	-0.04	11.59	10.83	0.77
	Real Estate	6.38	8.92	-2.54	5.13	6.34	-1.21	6.58	7.23	-0.65
	Infrastructure	22.96	19.19	3.77	15.54	15.67	-0.13	11.44	12.58	-1.14
	Private Equity	21.24	17.98	3.26	11.63	11.42	0.21	16.53	13.15	3.38
	Hedge Funds	24.20	24.63	-0.43	13.45	13.66	-0.21	11.78	11.34	0.44
	Programs	23.64	15.54	8.10	13.57	6.62	6.96	11.97	7.84	4.13

Note: Investments in private debt and multi-asset adopted through a tactical investment program commenced in Dec. 2019 and Dec. 2021, respectively. The benchmark of the tactical investment program is the entire benchmark of the Financial Assets.

· Time-weighted return calculation formula
Time-weighted return = [(1+R1)×(1+R2).....(1+Rn)]-1
- Time-weighted return measures the compound growth rate of a portfolio for a specific time period. The timing of cash flows determine where time periods begin and end, and cash flows are not factored into returns. This method is the geometric mean of the holding period returns of the respective sub-periods involved, and used to compare with benchmark returns.
- Management fees (including direct investment compensation and indirect costs) are not deducted.

3 | By Asset Class

3-1. Domestic Equity

The NPS began investing in domestic equity in 1990, two years after the National Pension Fund was established in 1988. As of December 31, 2024, domestic equity assets were valued at KRW 139.7 trillion, accounting for 11.5% of the Fund.

At the NPS, domestic equity investments are managed through both active and passive management. Active management seeks to create excess returns relative to benchmarks using diversified investment strategies, and passive management aims to track the returns of a market index. Active management is conducted by both in-house and external managers, while passive management is performed solely internally. As of December 31, 2024, the allocations to active and passive management in the domestic equity portfolio were 70.3% and 29.7%, respectively.

Since 2021, the NPS has invested in 11 sectors in accordance with the Global Industry Classification Standard (GICS). As of December 31, 2024, Information Technology held the largest share at 28.7% in the domestic equity portfolio, followed by Industrials at 22.1%, Financials at 12.1%, Consumer Discretionary at 9.9%, Healthcare at 8.9%, Communication Services at 6.7%, Materials at 4.9%, Consumer Staples at 3.9%, Energy at 1.5%, Utilities at 0.9%, Real Estate at 0.1%, and others at 0.2%.

In 2024, the Korean stock market remained sluggish amid concerns over an economic slowdown and domestic and external uncertainties. Moreover, stock sell-offs by foreign investors due to a strong U.S. dollar adversely influenced the market. Against this backdrop, the KOSPI closed at 2,399.49, down 9.63% from the previous year, and the KOSPI 200 also declined by 11.22%.

Amid such market conditions, domestic equity investments delivered a negative return on a time-weighted return basis, but outperformed its benchmark by 0.76%p. Also, 3-year and 5-year annualized returns also exceeded their benchmarks, demonstrating strong alpha-generating capability over the long term.

| Investment Performance

(%)

	Time-weighted Return	BM
2024 Return	-6.96	-7.71
3-Year Annualized Return (2022~2024)	-4.25	-4.91
5-Year Annualized Return (2020~2024)	4.59	3.96

| NPS Investments in the Domestic Equity Market

(KRW trillion, %)

	2024		2023		2022	
	Amount	Weight	Amount	Weight	Amount	Weight
KOSPI	132.8	6.8	138.7	6.5	119.9	6.8
KOSDAQ	4.3	1.3	6.1	1.4	4.5	1.4
Total	137.2	6.0	144.8	5.7	124.4	6.0

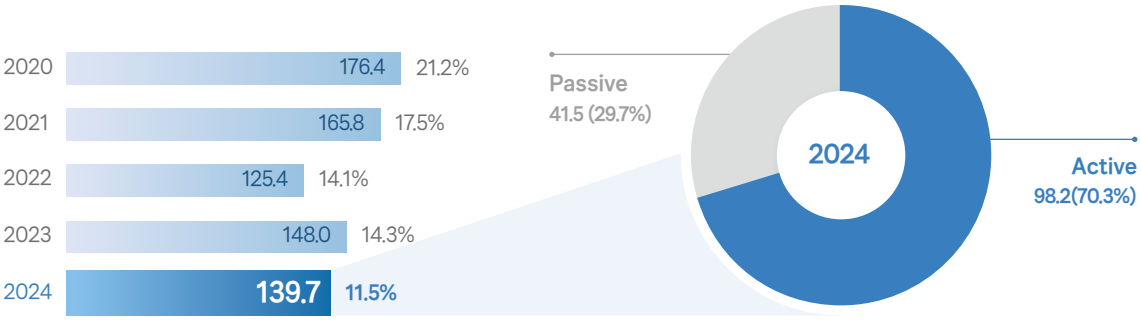
Notes:

1) Market value as of year-end

2) Excluding unlisted equities, cash equivalents, preferred stocks, ETF, future options and foreign stocks

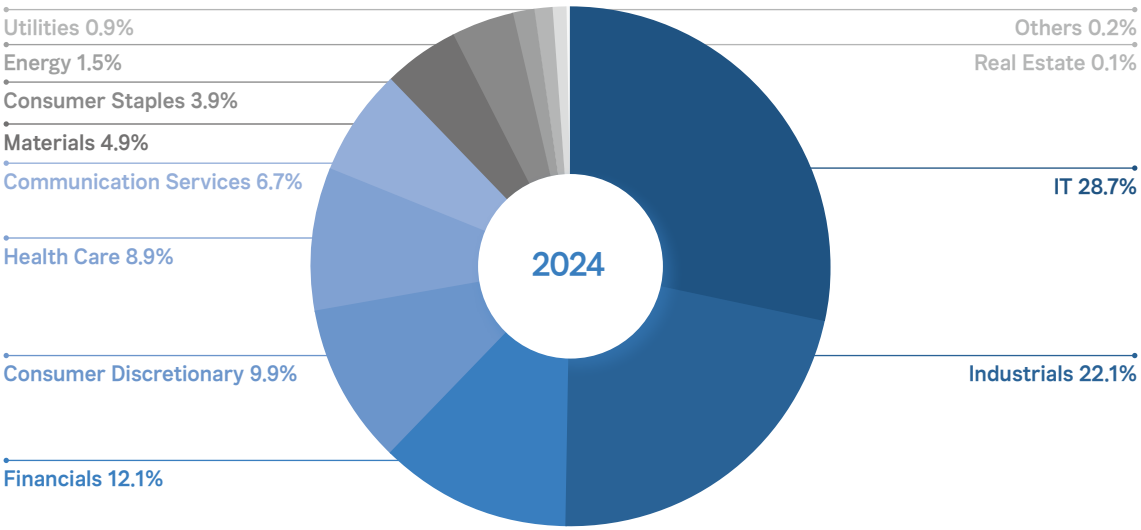
Five-Year Investment Trends

(KRW trillion)



Note: Indicating the weight in the Fund portfolio

By Sector



Notes:

1) Based on Global Industry Classification Standard (GICS®) classification

2) Others include unclassified securities, cash holdings, and futures.

3-2. Global Equity

The NPS began investing in global equity in 2002, a year after the commencement of global investment in 2001. As of December 31, 2024, global equity assets were valued at KRW 430.9 trillion, accounting for 35.5% of the Fund. Both the value and the weight of global equities increased relative to those of the previous year.

At the NPS, global equity investments are managed through both passive and active management. Passive management focuses on stability and liquidity, while active management aims to generate excess returns relative to risk through security selection. Both passive and active management are implemented internally and by external managers. In particular, active management has been applied to internally managed global equities since 2024, paving the way for diversifying active strategies. As of December 31, 2024, the allocations to passive and active management in the global equity portfolio were 49.7% and 50.3%, respectively.

Information Technology held the largest share at 26.6% in the global equity portfolio, followed by Financials at 15.6%, Consumer Discretionary at 11.1%, Health Care at 9.6%, Industrials at 9.5%, Communication Services at 8.0%, Consumer Staples at 5.2%, Energy at 3.6%, Materials at 2.7%, Utilities at 1.7%, and Real Estate at 1.5%. The three largest sectors—Information Technology, Financials, and Consumer Discretionary—together comprised nearly 50% of the portfolio. By geography, North America represented 70.5%, followed by Europe at 14.0%, Asia at 13.0%, Africa & the Middle East at 0.8%, and South America at 0.6%. North America and Europe together accounted for more than 80% of the portfolio.

In 2024, global stock markets experienced a noticeable trend of increased volatility due to geopolitical risks in the Middle East and the presidential election in the U.S, but exhibited an upward trend, supported by the growth of AI companies, robust economic indicators, and easing monetary policies from major central banks. Notably, a big tech-driven rally had a positive impact on all indexes, leading the global equity market index (MSCI ACWI ex-Korea in USD terms) to increase by 18.44% year-over-year.

Global equity investments delivered a solid return of 34.55% in KRW terms, primarily backed by the upward trend in the U.S. stock market to which our global equity portfolio has high exposure. Passive funds, which focus on developed market equities, exceeded their benchmark. However, active funds, highly composed of emerging market equities and small- and mid-cap stocks, underperformed. As a result, the global equity portfolio underperformed its benchmark in KRW terms.

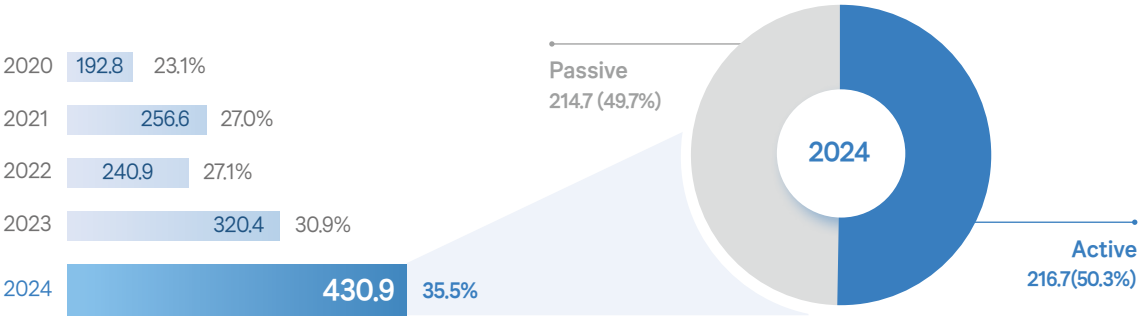
Investment Performance

(%)

	Time-weighted Return	BM
2024 Return	34.55	35.37
3-Year Annualized Return (2022~2024)	13.51	13.87
5-Year Annualized Return (2020~2024)	15.90	15.98

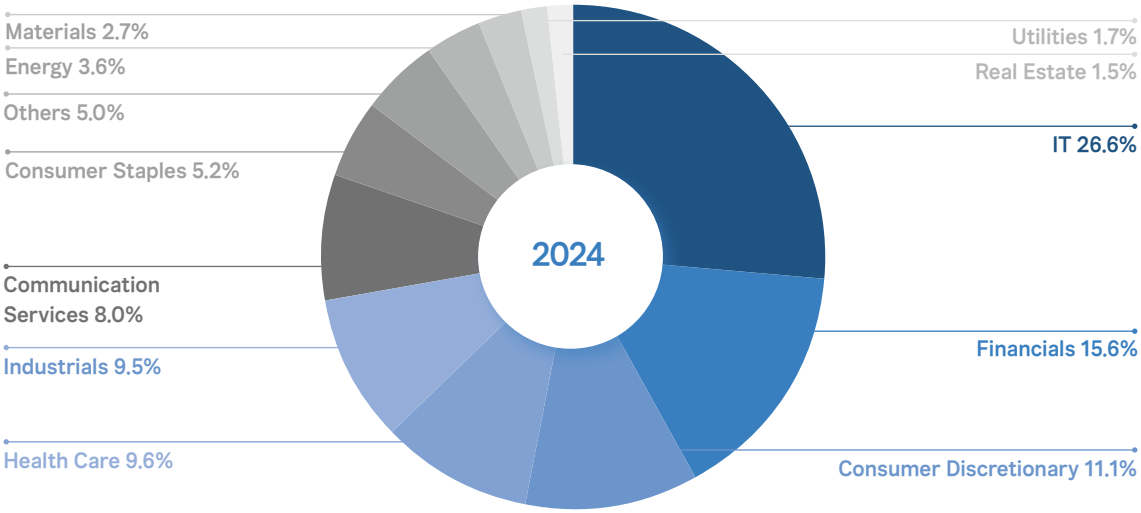
Five-Year Investment Trends

(KRW trillion)



Note: Indicating the weight in the Fund portfolio

By Sector



Notes:
1) Based on Global Industry Classification Standard (GICS®) classification
2) Others include unclassified securities, cash holdings, and futures.

By Geography

Note: Unclassified securities and cash holdings are included, but the weight is not indicated.

3-3. Domestic Fixed Income

The NPS began investing in domestic fixed income in 1988 when the National Pension Fund was established. As of December 31, 2024 domestic fixed income assets were valued at KRW 344.3 trillion, accounting for 28.4% of the Fund. The value of domestic fixed income increased, but the weight decreased from a year ago in line with the mid- to long-term investment strategy.

At the NPS, domestic fixed income investments are managed through an internally managed passive strategy and an externally managed active strategy. As of December 31, 2024, the allocations to internal management and external management were 84.4% and 15.6%, respectively. This reflects the highest allocation to internal management compared to other asset classes.

By bond type based on face value, treasury bonds held the largest share at 44.0% in the domestic fixed income portfolio, followed by special bonds at 20.5%, financial bonds at 15.2%, corporate bonds at 13.0%, municipal bonds at 3.9%, and monetary stabilization bonds at 3.4%. Compared to 2023, the allocations to treasury bonds, special bonds, and financial bonds increased, while the allocations to municipal bonds, monetary stabilization bonds, and corporate bonds decreased.

In the first half of 2024, domestic market interest rates continued to increase as hopes for base rate cuts diminished on solid employment indicators in the U.S. However, from the second quarter, domestic market interest rates showed a downward trend, influenced by the expectation of the U.S. Federal Reserve's rate cuts due to a slowdown in economic indicators, as well as the Bank of Korea's base rate cut in the fourth quarter. As of December 31, 2024, the base rate stood at 3.00%, down 0.5%p from the previous year, while interest rates on 3-year Korea Treasury bonds were approximately 2.595%, down 0.55%p from a year ago.

Amid such circumstances, domestic fixed income investments generated a 5.47% return, boosted by the flexible adaptation to changing interest rates and credit spreads, an increase in investments in long-term bonds that offer higher yields, and efficient adjustment of investment maturity allocation. In addition, both internal and external management exceeded their benchmarks by 0.11%p through effective maturity date management and sector and security selection in a timely manner, continuously generating positive excess returns since 2018.

In 2024, the NPS's fixed income investments accounted for 12.1% of the domestic fixed income market, down 0.2%p from 12.3% in 2023. This decline was primarily due to the domestic fixed income market growing at a faster pace than our domestic fixed income portfolio in line with our mid- to long-term strategy to reduce the target allocation to domestic fixed income. Compared to average allocations in the domestic fixed income market, the allocations to treasury bonds, municipal bonds, and special bonds were above the market average, while the allocations to monetary stabilization bonds, financial bonds, and corporate bonds were below the average.

Investment Performance

(%)

	Time-weighted Return	BM
2024 Return	5.47	5.36
3-Year Annualized Return (2022~2024)	2.51	2.40
5-Year Annualized Return (2020~2024)	1.59	1.48

NPS Investments in the Domestic Fixed Income Market

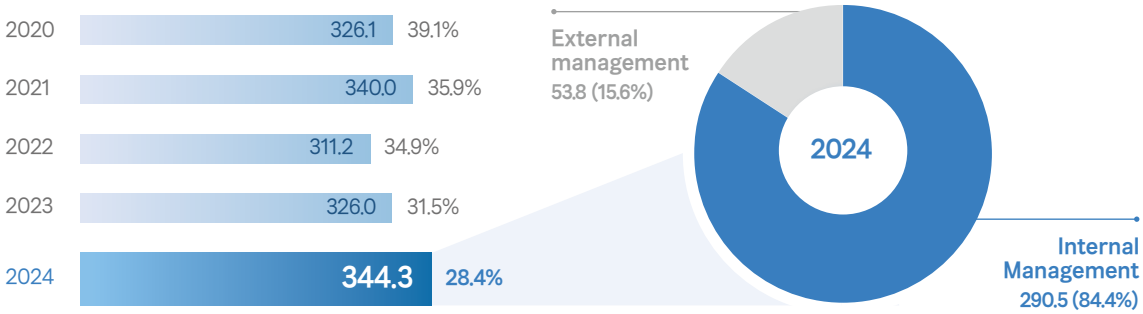
(KRW trillion, %)

	2024		2023		2022	
	Amount	Weight	Amount	Weight	Amount	Weight
Total	344.2	12.1	334.9	12.3	335.9	12.9
Treasury Bonds	151.5	13.4	145.3	13.5	145.5	14.2
Municipal Bonds	13.6	39.8	13.9	40.6	12.7	38.3
Special Bonds	70.5	15.4	67.4	15.0	65.2	16.2
Monetary Stabilization Bonds	11.6	10.0	12.3	10.5	13.3	11.8
Financial Bonds	52.3	8.2	49.1	8.2	47.7	8.1
Corporate Bonds	44.7	9.6	46.5	10.4	51.4	11.7

Notes:
1) Market value is based on the bond issue amount, while the value at NPS is based on face value.
2) Excluding short-term assets
3) MBS is regarded as special bond; ABS as corporate bond; credit finance bond as financial bond.

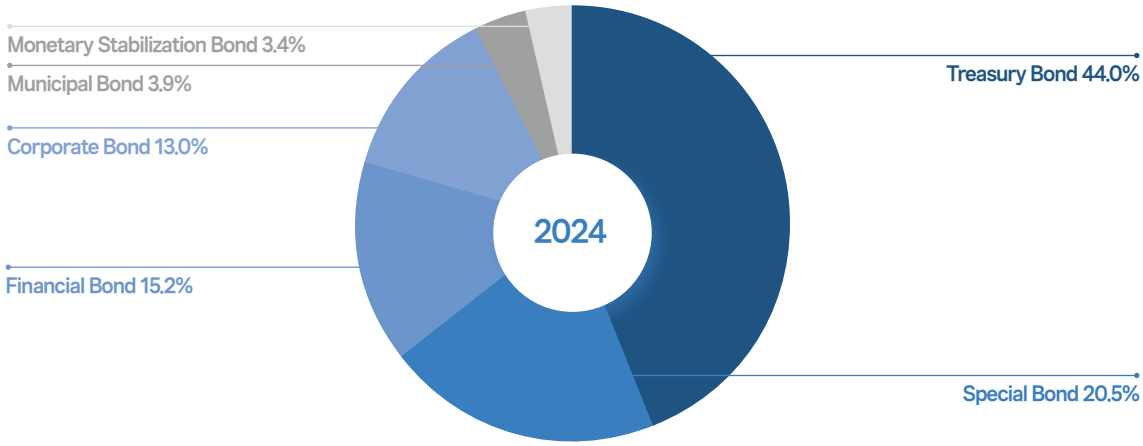
Five-Year Investment Trends

(KRW trillion)



Note: Indicating the weight in the Fund portfolio

By Bond Type



3-4. Global Fixed Income

The NPS began investing in global fixed income in 2001 with Korean bonds denominated in foreign currency, and internal management in global fixed income commenced in 2002. As of December 31, 2024, global fixed income assets were valued at KRW 88.3 trillion, accounting for 7.3% of the Fund. The value and weight increased relative to the previous year, and will further expand in line with its mid- to long-term investment strategy.

Since the second half of 2020, global fixed income investments have been made by two strategies: stable-income and high-income. Both strategies are managed by in-house and external managers on an active-style basis. The stable-income strategy pursues active management largely in treasury and government-related bonds that feature relatively less volatility; the strategy focuses on developed markets with abundant liquidity in order to supply foreign currency liquidity during a crisis. The high-income strategy seeks active management mainly in credit products to realize excess returns relative to the market. As of December 31, 2024, the allocations to the stable-income and high-income strategy in the global fixed income portfolio were 49.3% and 50.7%, respectively.

By bond type, treasury bonds held the largest share at 42.5% in the global fixed income portfolio, consistent with the allocation in the domestic fixed income portfolio. This was followed by corporate bonds at 29.8%, government-related bonds at 14.1%, and securitized bonds at 13.6%. By geography, North America represented 44.9% of the portfolio, followed by Europe at 29.2%, and Asia at 19.8%. Compared to 2023 end, the allocation to Europe increased, while the allocations to North America and Asia decreased.

In 2024, the U.S. Fed paused its interest rate hike campaign that began in March 2022, and lowered its policy rates three times starting in September. Major central banks also shifted their direction towards gradual policy rate cuts and easing monetary tightening. However, concerns over the likelihood of an increase in Treasury issuance due to U.S. cumulative deficit influenced market sentiment and pushed up market interest rates, making it difficult to predict market conditions. Against this backdrop, interest rates on 10-year U.S. Treasury bonds increased to 4.57% from 3.88% in the previous year.

Global fixed income investments generated a 17.65% return, all-time high since 2003. This was largely driven by a continued rise in the USD/KRW exchange rate positively affecting returns in KRW terms. By strategy, the stable-income and high-income strategy returned 17.46% and 17.84%, respectively. However, the global fixed income portfolio underperformed its benchmark by −0.51%p as excess returns in USD and KRW terms differed by −0.39%p due to the disparity in exchange rates, amid an unexpected increase in market interest rates in the fourth quarter when duration gaps were adjusted to cope with policy rate cuts.

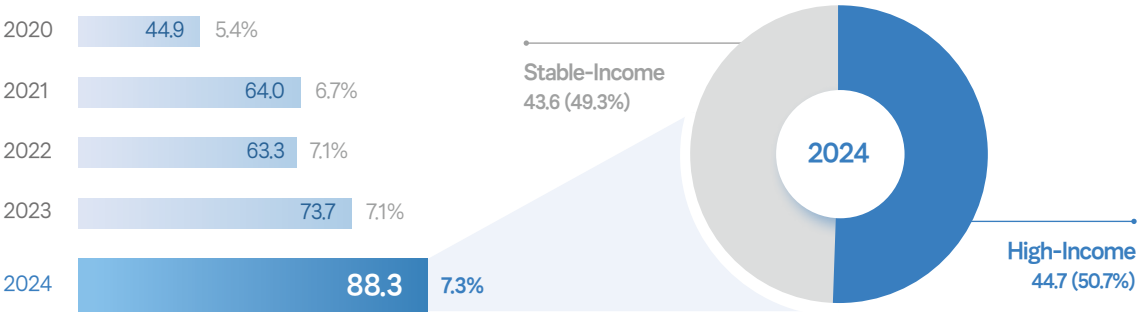
Investment Performance

(%)

	Time-weighted Return	BM
2024 Return	17.65	18.16
3-Year Annualized Return (2022~2024)	6.89	6.83
5-Year Annualized Return (2020~2024)	5.59	5.53

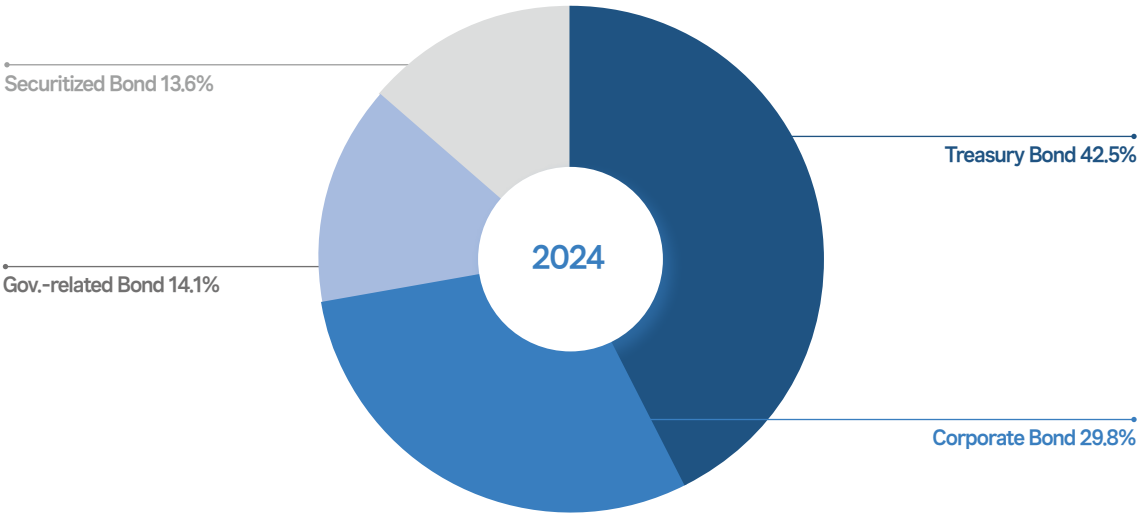
Five-Year Investment Trends

(KRW trillion)

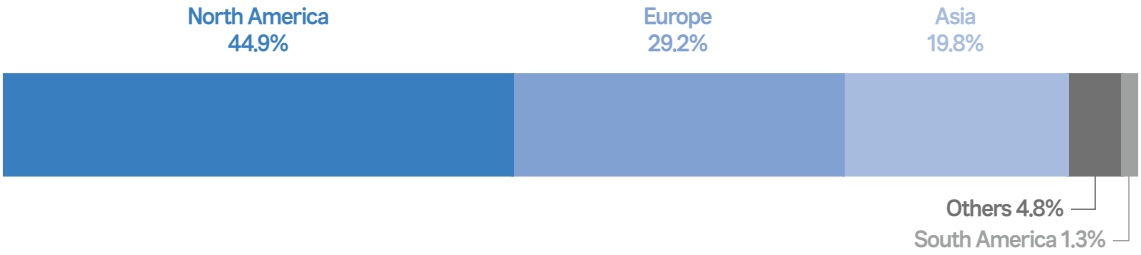


Note: Indicating the weight in the Fund portfolio

By Bond Type



By Geography



3-5. Alternatives

The NPS began investing in alternative assets in 2002 with domestic venture capital. Since then, NPS's investment targets and scale have continually expanded to include domestic and overseas real estate, infrastructure, and private equity, as well as overseas hedge funds. As of Dec. 31, 2024, alternative assets were valued at KRW 206.9 trillion, accounting for 17.1% of the Fund.

At the NPS, alternative assets are defined as a relative concept to traditional assets such as equities and fixed income. As the risk-return profiles differ from those of traditional assets, alternative assets help contribute to stable returns over a long-term horizon. Our focus is on global assets that provide relatively abundant investment opportunities, including real estate, infrastructure, private equity, venture capital, and hedge funds. Since 2019, the NPS has also adopted a program to enhance tactical strategies for alternative assets, adding new asset classes such as private debt and multi-asset within a limited weight range.

By geography, global and domestic alternative assets accounted for 87.9% and 12.1% of the alternative investment portfolio, respectively. The NPS has steadily increased its allocation to global alternative assets to overcome the limitations of the small domestic market, capture new investment opportunities, and maximize risk diversification. Within the alternative investment portfolio, private equity held the largest share at 36.7%, followed by real estate at 28.2%, infrastructure at 25.6%, hedge funds at 3.3%, and tactical investment program at 6.3% (private debt at 3.8%, multi-asset at 1.9%, super-core infrastructure at 0.6%).

In 2024, both domestic and global alternative investments achieved solid returns and exceeded their benchmarks. Domestic alternative investments generated a 10.04% return, supported by an increase in asset values and capital gains of some assets, while global alternative investments delivered a 18.44% return, fueled by a gradual recovery trend in the global investment environment, a rise in the USD/KRW exchange rate, and efforts to reduce external management fees. As a result, the alternative investment portfolio generated a return of 17.27%.

The NPS has also invested in multi-asset funds since 2021 to diversify investment portfolios and introduce TAA Overlay. Multi-asset funds comprise multiple asset classes, including equities, fixed income, currencies, and commodities, and are designed to pursue excess returns by adjusting asset exposure across asset classes. As of December 31, 2024, these multi-asset funds, primarily composed of public market products, such as equities and fixed income, delivered a return of 26.22% in KRW terms, driven by a concurrent rise in both equity and fixed income markets.

Investment Performance

(time-weighted return, %)

	2024		3-Year Annualized Return (2022~2024)		5-Year Annualized Return (2020~2024)	
	Return	BM	Return	BM	Return	BM
Domestic	10.04	3.84	7.59	5.22	10.27	6.89
Global	18.44	17.48	11.53	11.95	11.79	11.61
Total	17.27	15.55	10.82	10.86	11.59	10.83

Note: For domestic assets, fair value at the end of fiscal year is reflected, while for global assets, fair value at the end of the third quarter is reflected.

Breakdown of Alternative Investment

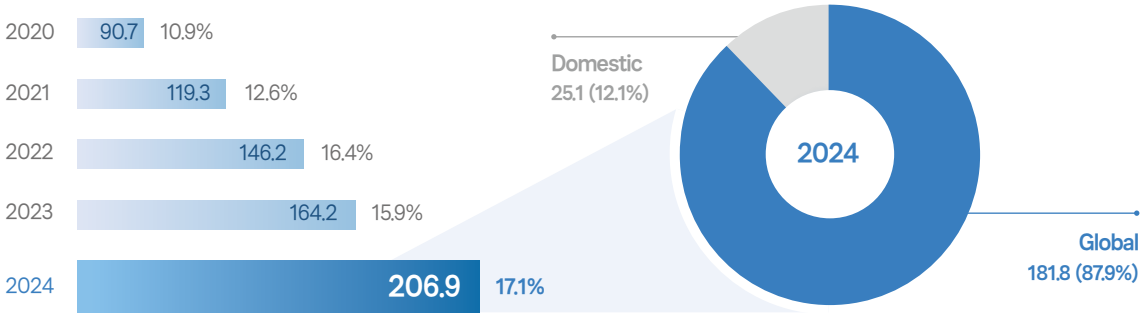
(market value, KRW 100 million)

	Total	Real Estate	Infra-structure	Private Equity	Hedge Fund	Tactical Investment Program		
						Private Debt	Multi-asset	Super-core Infrastructure
Appraised Value	2,068,842	582,491	529,070	759,993	67,931	78,094	39,099	12,165
Domestic	251,240	73,142	62,209	115,888	-	-	-	-
Global	1,817,603	509,348	466,861	644,105	67,931	78,094	39,099	12,165

Note: For domestic assets, fair value at the end of fiscal year is reflected, while for global assets, fair value at the end of the third quarter is reflected.

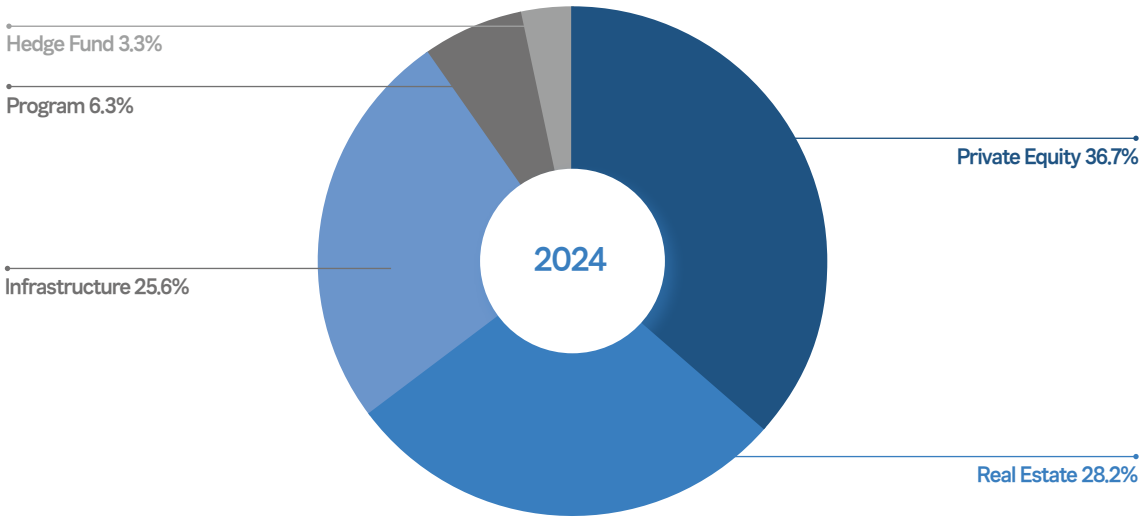
Five-Year Investment Trends

(KRW trillion)



Note: Indicating the weight in the Fund portfolio

By Sub-Asset Class



Notes:

1) Private equity includes domestic venture capital, CRC, and PEF, as well as overseas PEF.

2) Program refers to a tactical investment program, including private debt, multi-asset, and supercore infrastructure, designed to improve the execution of alternative investments.

3-5-1. Private Equity

As of December 31, 2024, private equity assets, including hedge funds and private debt, were valued at KRW 90.6 trillion, consisting of KRW 11.6 trillion in domestic assets and KRW 79 trillion in overseas assets. The asset class accounted for 43.8% of the alternative investment portfolio and 7.5% of the Fund.

The NPS made its first private equity investment in domestic venture capital in 2002, and expanded into overseas hedge funds in 2016 and overseas private debt in 2019 to diversify the portfolio. By applying the Reference Portfolio adopted from 2025 onward, private equity investments are reclassified into seven active programs: buyout, growth/VC, fund of fund, core, private credit, domestic private equity, and hedge funds. Through such programs, the NPS strives to build a well-balanced portfolio while enhancing its capabilities to address a wide range of new strategies.

In 2024, the global private investment market saw an increase in asset value compared to 2023, as both the M&A and IPO markets experienced a recovery. Amid such market conditions, the NPS achieved solid returns in the private equity portfolio, supported by diversified strategies spanning private debt, secondary, and ventures, as well as the expansion of investment base through strategic partnership and global networks. Domestic and global private equity investments returned 7.54% and 24.21%, respectively. Overall, the private equity portfolio generated a 21.24% return and significantly exceeded its benchmark.

Hedge funds investments delivered a 24.20% return, backed by efforts to reduce fees through an increase in single hedge funds and to harness various strategies such as multi-strategy and equity hedge strategy. Private debt returned 23.26%, fueled by high interest rates worldwide and expanded co-investments.

Investment Performance

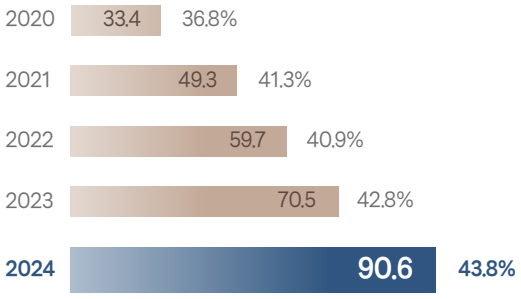
(time-weighted return, %)

구분		2024		3-Year Annualized Return (2022~2024)		5-Year Annualized Return (2020~2024)	
		Return	BM	Return	BM	Return	BM
Private Equity	Domestic	7.54	-1.49	4.30	1.91	9.70	5.74
	Global	24.21	22.53	13.51	13.74	18.59	15.19
	Total	21.24	17.98	11.63	11.42	16.53	13.15
Hedge Fund		24.20	24.63	13.45	13.66	11.78	11.34
Private Debt		23.26	20.89	16.47	14.24	13.78	9.90

Note: For domestic assets, fair value at the end of fiscal year is reflected, while for global assets, fair value at the end of the third quarter is reflected.

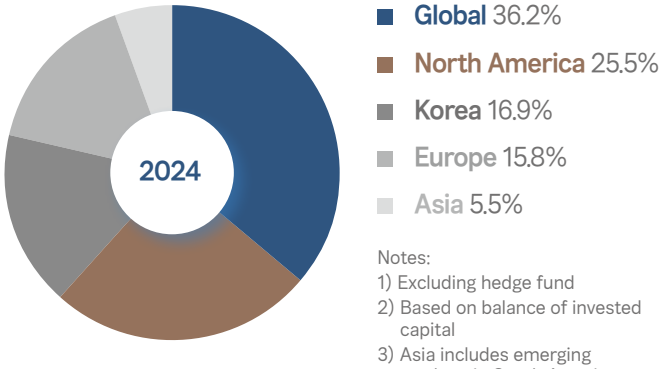
Five-Year Investment Trends

(KRW trillion)



Notes:
1) Including hedge fund and private debt
2) Indicating the weight in the Alternative Investment portfolio

By Geography



Notes:
1) Excluding hedge fund
2) Based on balance of invested capital
3) Asia includes emerging markets in South America.

3-5-2. Real Estate

As of December 31, 2024, real estate assets were valued at KRW 58.2 trillion, consisting of KRW 7.3 trillion in domestic assets and KRW 50.9 trillion in global assets. The asset class accounted for 28.2% of the alternative investment portfolio and 4.8% of the Fund.

The NPS began investing in domestic real estate in 2004 and overseas real estate in 2006. Since then, deal volume has increased with a focus on regions and sectors that have strong fundamentals. The NPS has constantly invested in core/core-plus that offers stability, while making selective investments in non-core strategies such as value-added and opportunistic to enhance returns. In addition, the real estate portfolio has been diversified across a range of sectors and strategies including logistics, data centers, and debt funds, as well as niche and non-core sector, to continue portfolio diversification and prepare for market volatility.

The value of offices and retail properties in overseas markets declined from 2023, affected by heightened interest rates and economic uncertainty in the first half of 2024 and a delayed recovery of commercial property markets. However, real estate markets in Asia-Pacific and residential properties in Europe showed a recovery trend, fueled by the growing demand for housing. Domestic real estate investments exhibited solid performance, in contrast to global investments, on the back of the increased value of office buildings and hospitality properties.

Amid such market conditions, real estate investments generated a 6.38% return. The domestic real estate portfolio delivered a 9.05% return, driven by robust rental demand for and low office vacancy rate of prime offices, while the global real estate portfolio returned 6.04%, backed by a rise in the USD/KRW exchange rate.

Investment Performance

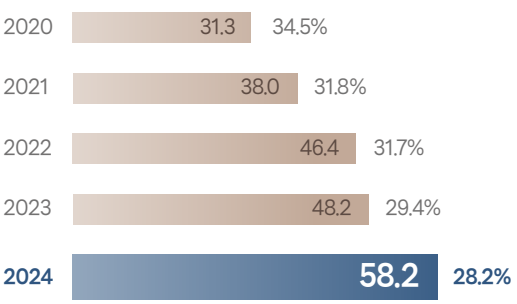
(time-weighted return, %)

	2024		3-Year Annualized Return (2022~2024)		5-Year Annualized Return (2020~2024)	
	Return	BM	Return	BM	Return	BM
Domestic	9.05	5.68	11.07	7.38	14.44	8.71
Global	6.04	9.36	4.42	6.22	5.15	6.88
Total	**6.38**	**8.92**	**5.13**	**6.34**	**6.58**	**7.23**

Note: For domestic assets, fair value at the end of fiscal year is reflected, while for global assets, fair value at the end of the third quarter is reflected.

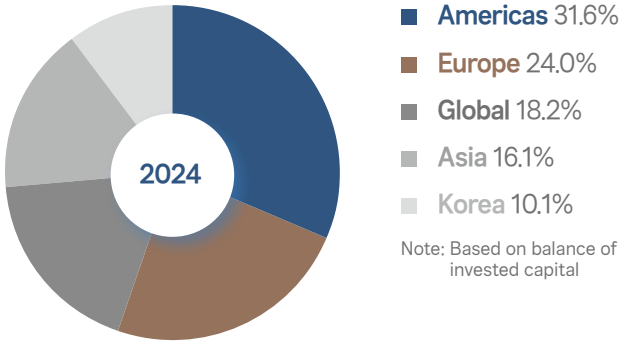
Five-Year Investment Trends

(KRW trillion)



Note: Indicating the weight in the Alternative Investment portfolio

By Geography



Note: Based on balance of invested capital

3-5-3. Infrastructure

As of December 31, 2024, infrastructure assets were valued at KRW 54.1 trillion, consisting of KRW 6.2 trillion in domestic assets and KRW 47.9 trillion in global assets. The asset class accounted for 26.2% of the alternative investment portfolio and 4.5% of the Fund.

The NPS made its first infrastructure investment in a domestic build-to-operate (BTO) seaport project in 2005 and expanded into overseas infrastructure funds in 2007. Since then, the infrastructure portfolio has been diversified across a wide range of sectors both domestically and internationally, including transportation, energy, and digital infrastructure. In 2023, the NPS maintained its strategy with a focus on core/core plus to generate stable cash flow, commenced investing in super-core assets, and further diversified its portfolio by strategy, geography, and investment structure. The NPS has also continued to seek out new asset managers in value-added, secondary, and small-to-mid market funds in order to adapt to dynamic market conditions.

In 2024, fundraising levels in global infrastructure markets were broadly in line with the previous year, although average deal size decreased slightly. However, certain sectors such as telecommunication and energy showed a robust trend. Within the domestic infrastructure portfolio, the value of energy, resources (raw materials), power plants, and utilities increased. In the global infrastructure portfolio, transportation, digital, and electricity assets rose in value amid a modest recovery in global trade and marine traffic volumes.

Amid these circumstances, infrastructure investments generated a 22.96% return. This performance was supported by solid dividend yields and higher interest rates both domestically and internationally, driven by improved earnings of assets with revenue structure linked to inflation. The domestic infrastructure portfolio returned 15.58%, while the global infrastructure portfolio delivered a 24.07% return. The performance of global assets was further boosted by a rise in the USD/KRW exchange rate.

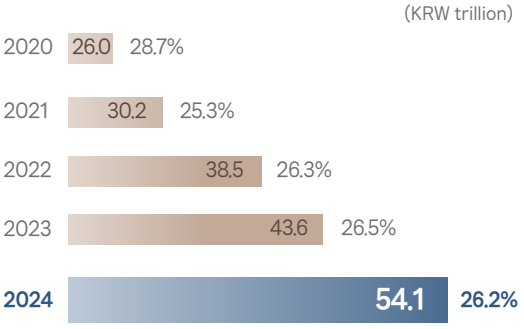
Investment Performance

(time-weighted return, %)

		2024		3-Year Annualized (2022~2024)		5-Year Annualized (2020~2024)	
		Return	BM	Return	BM	Return	BM
Infra-structure	Domestic	15.58	11.94	9.74	8.87	7.93	7.59
	Global	24.07	20.38	16.84	17.42	12.25	14.04
	Total	22.96	19.19	15.54	15.67	11.44	12.58
Tactical Investment Program	Super-Core	22.80	16.18	-	-	-	-

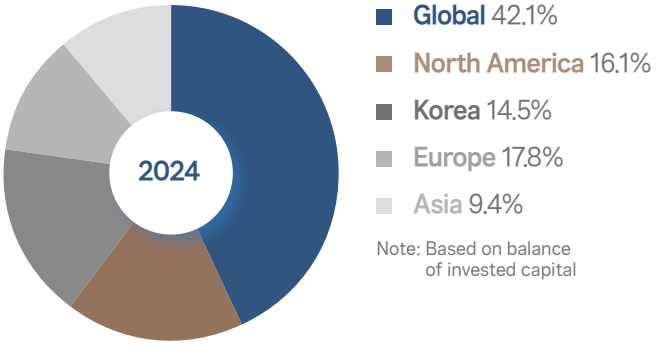
Note : For domestic assets, fair value at the end of fiscal year is reflected, while for global assets, fair value at the end of the third quarter is reflected.

Five-Year Investment Trends



Note : Indicating the weight in the Alternative Investment portfolio

By Geography

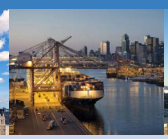


Note: Based on balance of invested capital

| Key Alternative Assets

Key Alternative Assets <as of Dec. 31, 2024>

U.K.		Germany	Australia			Singapore
Plumtree Court	5 Broadgate	Mainzero	East Link	Vocus	Aurora Place	Frasers Tower

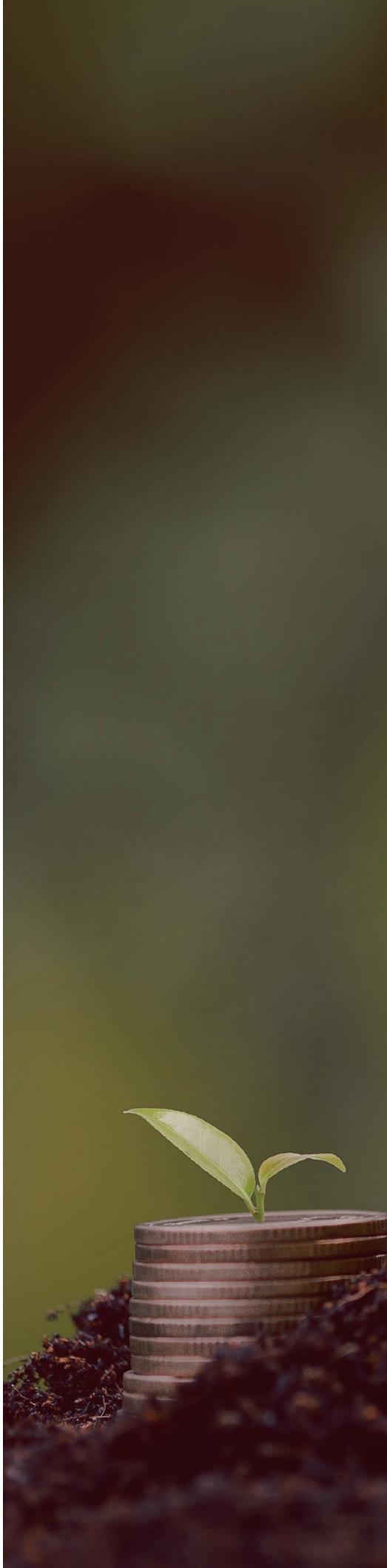
India	U.S.				Canada	
						
Jarvis	One Vanderbilt	Carrix Inc.	Calpine Corp.	CyrusOne	CIBC Square	Coastal GasLink

Key Investment Countries

Real Estate	Infrastructure	Private Equity
U.S., U.K., Australia, Germany	U.S., Spain, U.K., Australia	U.S., U.K., Germany, India

II. About National Pension

1 | National Pension Plan
2 | National Pension Fund



National Pension Fund Report 2024

1 | National Pension Plan

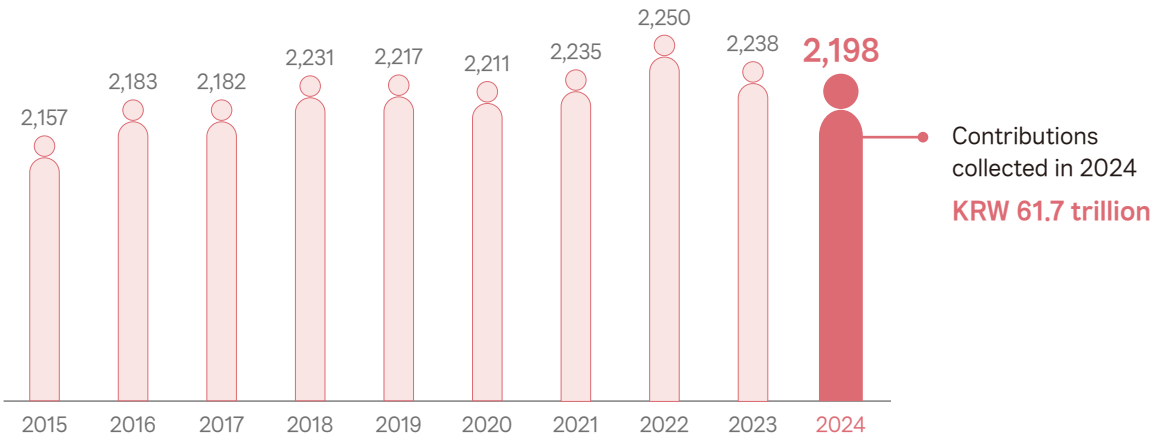
The National Pension Plan is a cornerstone of the social security system in the Republic of Korea that aims to ensure the stability of the people's livelihoods and promote their welfare by providing old-age, disability and survivor's pension.

The National Pension Plan mainly consists of old-age, disability, and survivor's pension. The old-age pension benefits contributors reaching the pensionable age after retirement. The disability pension benefits contributors who have a physical or mental disability due to illness or injury. The survivor's pension benefits bereaved family members of a deceased contributor or beneficiary.

The Plan was introduced in January 1988, covering employers and employees aged between 18 and 60 in establishments with 10 or more employees. Over time, the compulsory coverage was expanded gradually, and in April 1999, it was further expanded to target the entire nation, unleashing the era of 'Pensions for All Nation.' Along with the National Health Insurance, Employment Insurance, and Industrial Accident Compensation Insurance, the National Pension Plan is a cornerstone of the social security systems in the country, serving more than 21.98 million contributors and 7.16 million beneficiaries as of December 31, 2024.

| Number of Contributors

(10,000 persons)



| Types of Contributors

Mandatory Workplace-based Contributor

Employers and employees (including foreigners)

Mandatory Individually Insured Contributor

Those who are not workplace-based contributors, such as the self-employed, farmers or fishers

Optional Voluntarily Insured Contributor

Those who are insured voluntarily although their contribution is not mandatory (e.g. full-time housewives, students under the age of 27)

Optional Voluntarily and Continuously Insured Contributor

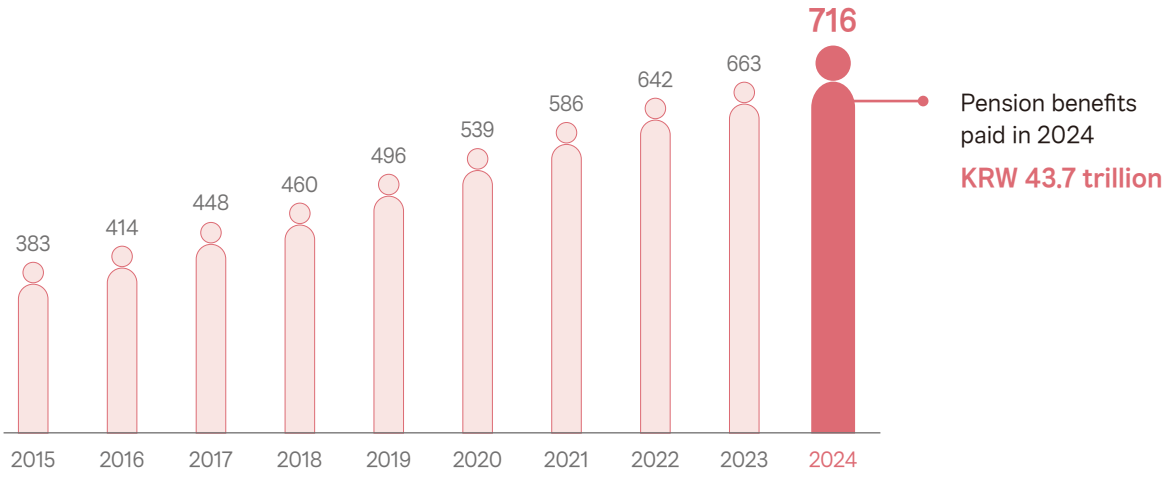
Those who wish to continue to make contributions even after the age of 60, among current or former contributors

In a bid to ensure the efficient implementation of the National Pension Plan, the National Pension Service (NPS) was founded on September 18, 1987 pursuant to the National Pension Act. Since its inception, the NPS has provided not only a range of national pension services, including pension enrollment and benefit payments, but also various welfare services, including old age preparation services, disability registration screening, support for people with disability, and work capacity assessment for basic living allowance recipients.

As of December 31, 2024, the NPS comprised the headquarters, 112 regional offices, Disability Assessment Center, and National Pension Research Institute. The headquarters consisted of 14 divisions, five centers, as well as NPS Investment Management (NPSIM), Compliance Division, National Pension Research Institute, and Digital Innovation Office. Among them, the NPSIM engages in investment and management of the National Pension Fund, a reserve fund set aside to finance pension benefits.

Number of Beneficiaries

(10,000 persons)



Types of Pension Benefits

Old-age pension

Old-age pension is paid for lifetime from pensionable age to those whose contribution period exceeds ten years.

※(Pensionable age) Those born in and before 1952: at 60, 1953~1956: at 61, 1957~1960: at 62, 1961~1964: at 63, 1965~1968: at 64, those born in and after 1969: at 65

Disability pension

Disability pension is paid to contributors who have a physical or mental disability due to illness or injury, and meet certain requirements at the time of the first medical examination of the illness or injury. The amount of pension is subject to the level of disability in case the disability persists even after the illness or injury is completely cured.

Survivor's pension

Survivor's pension is paid to bereaved family members of a deceased contributor or beneficiary who contributed for a certain period; the family member shall meet pension recipient requirements.

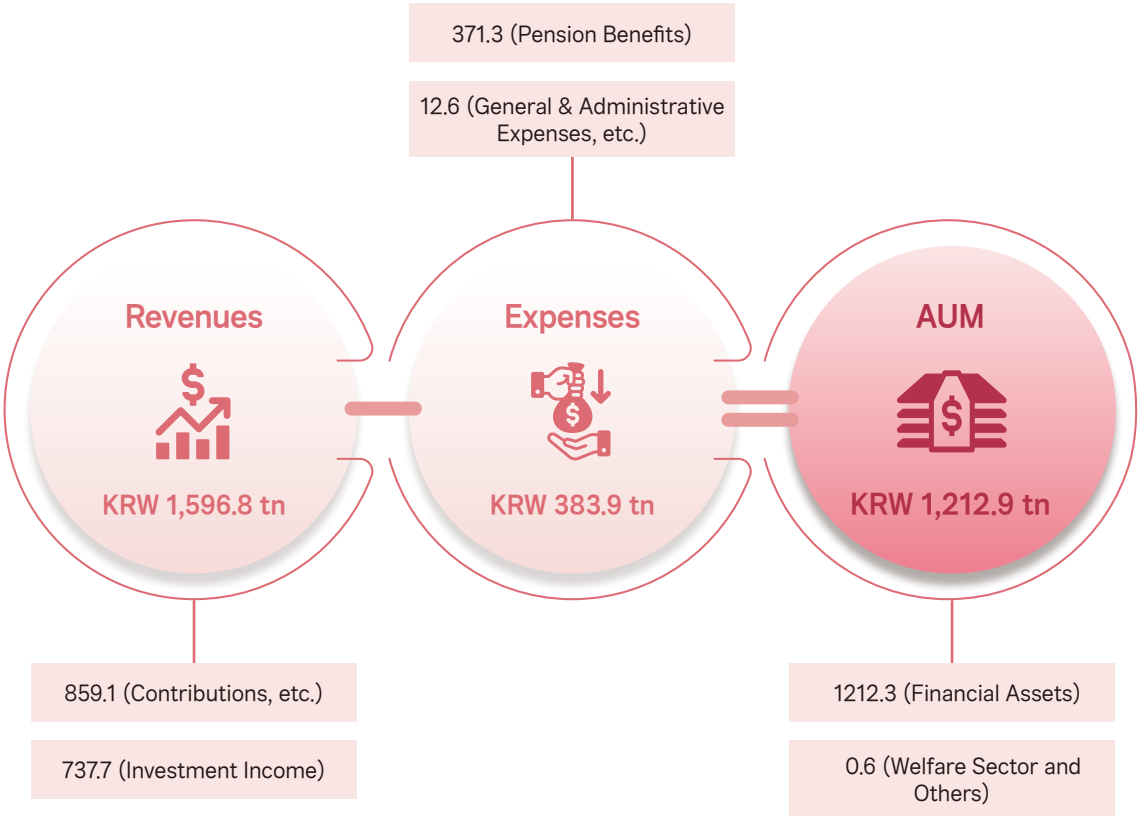
2 | National Pension Fund

The National Pension Fund was established as a reserve fund to secure resources necessary for providing national pension services and fulfilling pension plan obligations in accordance with Article 101 of the National Pension Act.

The Fund is calculated by subtracting pension benefit payments and general & administrative expenses from the total revenues, which consist of contributions and investment income. As of December 31, 2024, the Fund totaled approximately KRW 1,212.9 trillion, which was derived after subtracting KRW 383.9 trillion in expenses from KRW 1,596.8 trillion in revenues, including KRW 859.1 trillion in cumulative contributions and KRW 737.7 trillion in cumulative investment income.

According to the Guideline for the Management of National Pension Fund approved by the National Pension Fund Management Committee (FMC), the Fund is managed in three areas: Financial Assets, Welfare Sector, and Others. As of December 31, 2024, 99.95% of the Fund, or KRW 1,212.3 trillion, was invested in Financial Assets, including equities, fixed income, and alternatives, while 0.05%, or KRW 0.6 trillion, was managed in Welfare Sector and Others.

| Number of Contributors

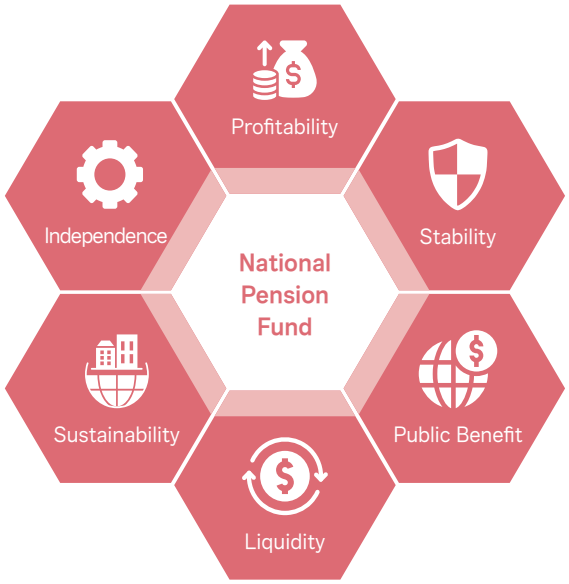


When the National Pension Plan was first launched at the end of 1988, the Fund was valued at just KRW 527.9 billion. 36 years later, as of December 31, 2024, the Fund has grown exponentially to KRW 1,212.9 trillion, establishing itself as one of the world's largest pension funds. Cumulative investment income since inception has reached KRW 738 trillion, accounting for around 60.8% of the Fund.

The Fund is managed with the aim of maximizing returns to ensure the long-term financial stability of the national pension. To this end, the NPS manages and invests the Fund in compliance with six investment principles: Profitability, Stability, Public Benefit, Liquidity, Sustainability, and Independence.

Investment Principles

(Article 4, the Guideline for the Management of National Pension Fund)



Profitability	Pursue the highest possible returns to alleviate financial burdens on pension contributors, especially on future generations
Stability	Manage the Fund within acceptable risk and volatility parameters
Public Benefit	Take into account the spillover impact on the national economy and domestic financial market, given the sheer size of the Fund and the objectives of the National Pension Plan targeting the entire nation
Liquidity	Consider the Fund's liquidity to seamlessly meet pension plan obligations and seek ways in advance to minimize shocks on the domestic financial market, in particular when disposing of investment assets
Sustainability	Fulfill its fiduciary duty to enhance the sustainability of assets under management, particularly by integrating ESG factors into investment decision-making
Independence	Ensure that these principles are not compromised for other purposes

III. Organization

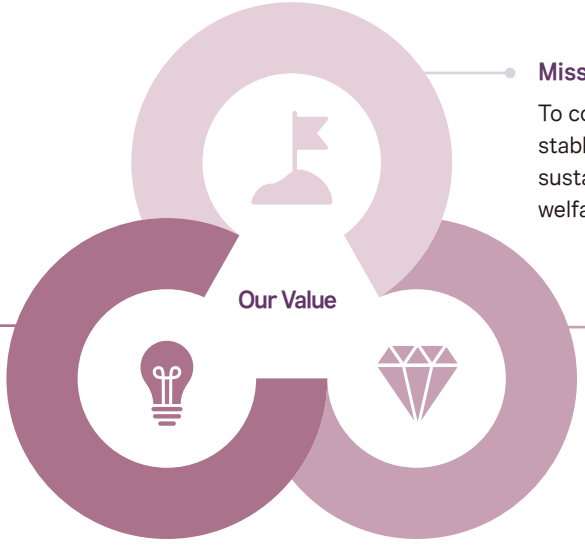
1 | National Pension Service
2 | NPS Investment Management
3 | Governance

1 | National Pension Service

| Purpose of Establishment

To contribute to the stability of Koreans' livelihoods and the promotion of their welfare by providing old-age, disability, and survivor's pensions.

| Our Value



Mission

To contribute to the people's stable and happy life through sustainable pension benefits and welfare services

Vision

To become a leading global pension fund contributing to the people's happiness over generations

Core Values

Trust, Innovation, Communication

| Business Principles

'National Pension that Makes All Korean People Happy'

Win-Win Management

We will actively support pension reforms that enhance sustainability, and build a robust pension system that benefits all Korean citizens.

Reliable Management

We will enhance public trust by faithfully implementing the Plan, managing the Fund, and providing welfare services.

Innovative Management

We will become an institution that strengthens its capabilities with a higher sense of ethics and promotes continuous innovation.

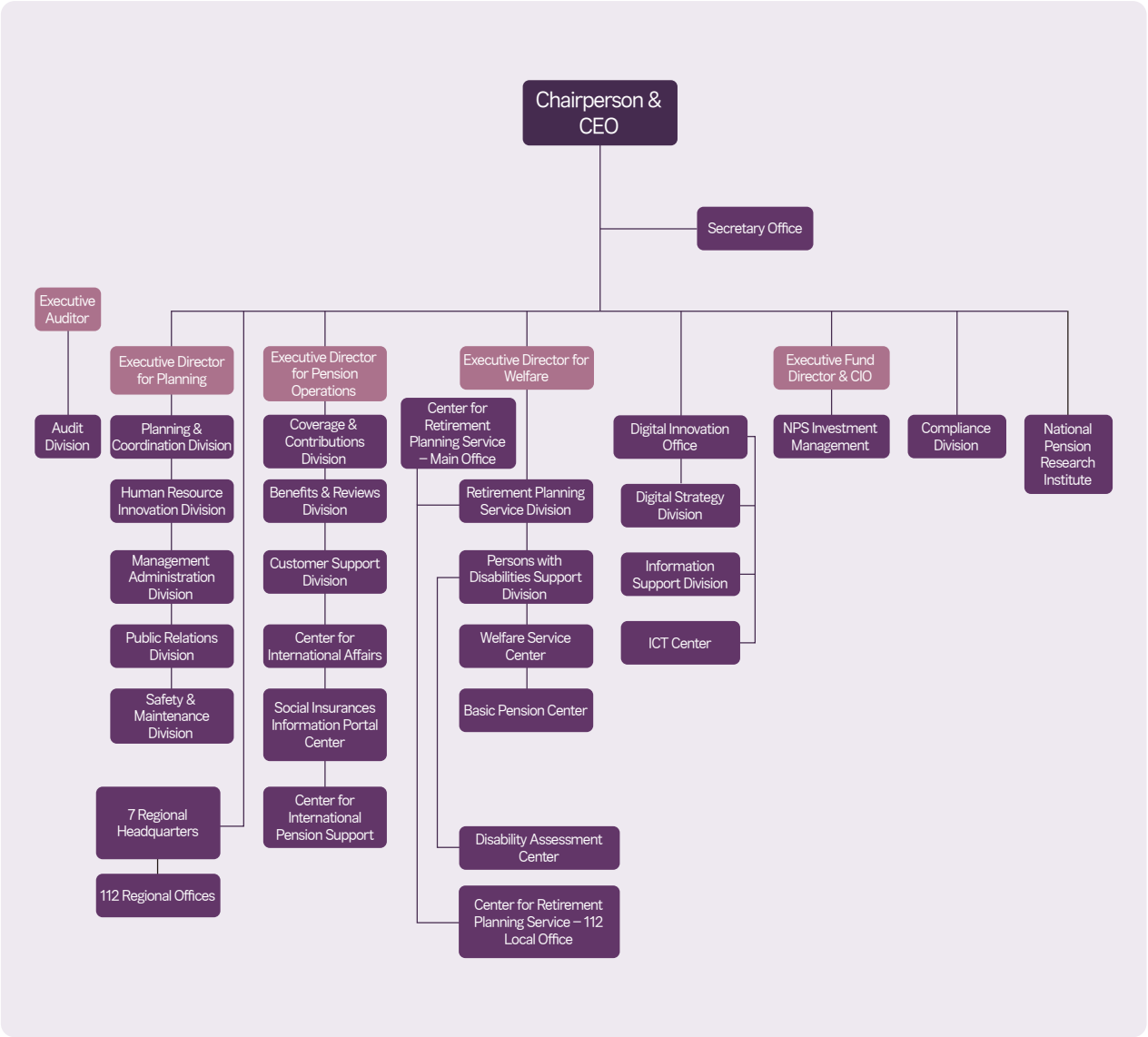
| NPS Organization Structure

No. of Staff: 7,199 (as of Dec. 31, 2024)

Headquarters | 14 divisions, 5 centers, NPSIM, Compliance Division, Digital Innovation Office

Regional Offices | 112 regional offices, Disability Assessment Center, National Pension Research Institute, Center for International Pension Support

| NPS Organizational Chart



2 | NPS Investment Management

To effectively cope with the rapidly changing financial and economic landscape and manage the National Pension Fund with greater precision and professionalism, the NPS Investment Management (NPSIM) was established as a dedicated investment arm of the NPS. In pursuit of this goal, the NPSIM actively attracts and retains top talent with extensive experience in finance and investment, spanning areas such as market analysis, portfolio management, trading, and risk management.

In its early stages, when the assets under management were not substantial, the Fund was primarily deposited as public capital and invested predominantly in the public sector and fixed income securities. However, following the Asian Financial Crisis in the late 1990s, the Fund was no longer required to be allocated as public capital, and its assets grew significantly, highlighting the need for professional investment management and diversification into financial assets. In response to these developments, the NPS Investment Management (NPSIM) was established in November 1999 to professionally adapt to the rapidly evolving investment landscape and efficiently manage the Fund.

In line with the exponential increase in the Fund size, the emergence of diverse financial products, and increasingly globalized investment environment, the NPSIM began investing in overseas assets in 2001 to deliver stable returns, and has diversified investment portfolios since 2003. To support this strategy, the NPS has expanded the recruitment of investment professionals across all asset classes, domestic and global, including traditional assets-equity and fixed income-and alternative assets-real estate, infrastructure, and private equity. Moreover, in order to boost expertise and efficiency of the investment teams, Global Public Market division was segregated by asset class in 2021; Risk Management division was divided into Public Market Risk Management division and Private Market Risk Management division in 2022; the position level of a head of overseas office was escalated to the level of division head in 2023. Also, in a bid to strengthen the support function, the Investment Operations division was split into General Affairs & Human Resources division and Finance & Investment Operations division in 2024. As such, the NPSIM has made constant efforts to enhance its investment functions by forming new investment teams and restructuring existing ones.

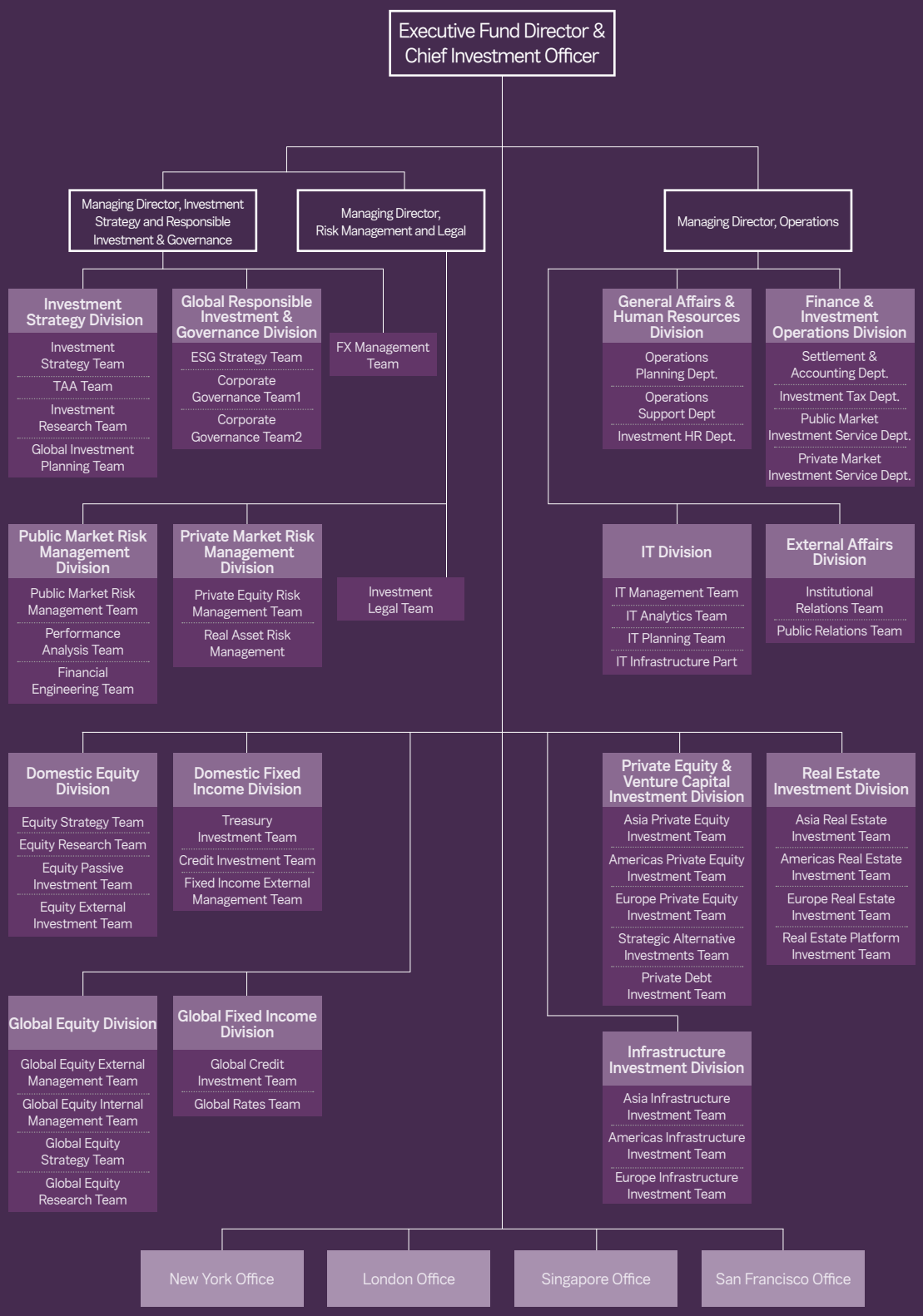
At the same time, in keeping with its strategy to increase investments in global assets, overseas offices were established in New York, London, and Singapore in 2011, 2012, and 2015, respectively. In 2024, the fourth overseas office was launched in San Francisco, further bolstering the capabilities to monitor the trend of financial markets, build a network with global leading peers, and source compelling investment opportunities. Also, to capture investment opportunities only accessible on the ground, local investment professionals are employed as well. Moreover, in 2023, a Smart Work Center for Fund Management was newly established in the Southern Seoul Regional Headquarters to cope with changes in the domestic investment environment and build a robust network with industry peers.

Initially established with 40 staff across six teams, the NPSIM has systematically expanded its organizational structure to align with the Fund's growth and portfolio diversification strategy. As of December 31, 2024, the NPSIM consisted of a Chief Investment Officer (CIO), three Managing Directors, 15 divisions, and four overseas offices, staffed by a total of 485 employees. This workforce comprises CIO, 415 investment professionals, and 69 administrative professionals.

Compliance Officer

In 2007, the NPS adopted the Compliance Officer (framework) and created a Compliance team under the NPSIM to secure the transparency of fund management activities and oversee legal compliance before and after investment execution. In keeping with the growth of the Fund requiring compliance-specific expertise, in 2010, the Compliance team under the NPSIM was elevated to Compliance division that directly reports to the CEO of the NPS. The Compliance Officer is directly responsible for overseeing internal controls related to fund management activities and ensuring that all NPSIM employees adhere to applicable laws, regulations, and the Code of Conduct.

NPSIM Organizational Chart (as of Dec. 31, 2024)

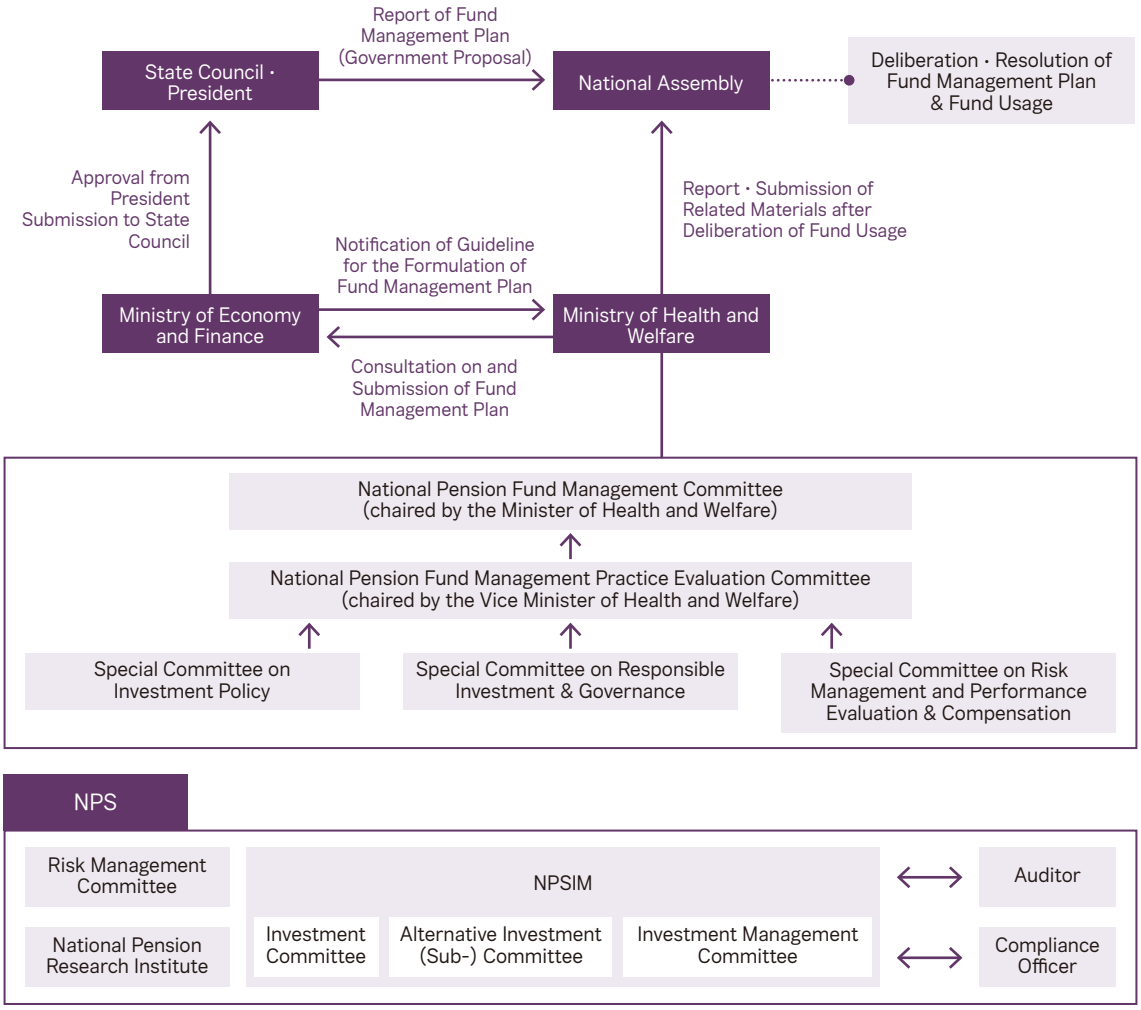


3 | Governance

Pursuant to Article 102 of the National Pension Act, the Minister of Health and Welfare manages and invests the National Pension Fund. Key matters on fund management are decided by the National Pension Fund Management Committee (FMC) chaired by the Minister. To enhance the expertise of decision-making, the National Pension Fund Management Practice Evaluation Committee (PEC) and three Special Committees are established under the FMC.

According to the National Pension Act, the Minister of Health and Welfare established the National Pension Fund Management Committee (FMC), as the highest governing body on fund management. The FMC is responsible for deliberating on and resolving matters related to fund management guidelines, annual asset allocation plans, performance assessments, and other key issues. The Minister of Health and Welfare oversees the management and investment of the Fund and has entrusted such activities to the NPS. To manage the Fund in a systematic and professional manner, the NPS has formed the NPS Investment Management (NPSIM) consisting of seasoned investment professionals that conduct a range of investment activities, including tactical asset allocation, investment execution, market monitoring, and portfolio management. At the same time, the Minister formulates an annual fund management plan, which is to be reviewed by the FMC and State Council, then approved by the President of the Republic of Korea, and reported to the National Assembly for final approval.

Governance



Established under Article 103 of the National Pension Act, the FMC is composed of 20 members: six ex officio members, including the Minister of Health and Welfare as chair, the CEO of the NPS and four Vice Ministers of related ministries; 12 persons who represent employers, employees, and individually insured persons appointed to enhance their representation and the transparency of fund management; two external experts with in-depth knowledge and experience in national pension. The FMC convenes meetings at least once every four months to deliberate on and resolve matters relating to fund management guidelines, a mid-term asset allocation plan, an annual fund management plan, risk management, performance assessment, and compensation.

In order to leverage expertise and efficiency in investment decision-making, the National Pension Fund Management Practice Evaluation Committee (PEC) has been established under the FMC according to Article 104 of the National Pension Act. The PEC is composed of accountants, lawyers, and experts in economics, business management, and financial fields, and provides technical and professional opinions on agendas to be proposed to the FMC in advance. The PEC consists of 20 members: six ex officio government officials, including the Vice Minister of Health and Welfare as chair; 12 persons who represent employers, employees, and individually insured persons; as well as two experts in related fields.

Key Decision-Making Committees

Deliberate on and Resolve Agendas

National Pension Fund Management Committee (chaired by Minister of Health and Welfare)

Composition	Responsibilities
Six ex officio members including chair and 14 persons representing employers, employees, and individually insured persons (20 in total)	Establish a basic investment policy direction; Determine fund management guidelines; Design strategic asset allocation, etc.

Conduct a Preliminary Review on Agendas

National Pension Fund Management Practice Evaluation Committee (chaired by Vice Minister of Health and Welfare)

Composition	Responsibilities
Chair, five members designated by the ex officio member, and 14 persons representing employers, employees, and individually insured persons (20 in total)	Conduct a preliminary review of agendas to be proposed to the FMC

Provide Advice and Review Specific Matters

Special Committee on Investment Policy (chaired by a person elected among standing members)	Special Committee on Responsible Investment & Governance (chaired by a person elected among standing members)	Special Committee on Risk Management and Performance Evaluation & Compensation (chaired by a person elected among standing members)
Composition	**Composition**	**Composition**
Three standing members, three FMC members, and three experts in related fields	Three standing members and six experts in related fields	Three standing members, three FMC members, and three experts in related fields
Responsibilities	**Responsibilities**	**Responsibilities**
Provide advice on key policies relating to fund management	Review key matters relating to the exercise of shareholder rights and conduct of responsible investment	Make recommendations on performance assessment policies, and deliberate on and review compensation policies

In accordance with Article 103-3 of the National Pension Act, three special committees have been established to review and examine agendas before they are submitted to the FMC. These committees include the Special Committee on Investment Policy, the Special Committee on Responsible Investment & Governance, and the Special Committee on Risk Management and Performance Evaluation & Compensation. Each special committee is composed of nine members, including three standing members. Each of the special committees is chaired by one of the standing members.

To promote continuous discussion and enhance expertise and representation in investment decision-making, a standing member system was introduced in 2020 through amendments to the Enforcement Decree of the National Pension Act. Under this system, organizations representing employers, employees, and individually insured persons each recommend an expert, who is then appointed as a standing member. One of the three standing members serves as the chair of each special committee.

The Special Committee on Investment Policy reviews and deliberates on matters relating to major plans for an annual fund management plan, investment standards, fund management, development of new investment policies, and change in existing investment policies. The Special Committee on Responsible Investment & Governance reviews and determines key matters relating to stewardship activities, including responsible investment and exercise of shareholder rights for domestic listed equity holdings, and reports the results to the FMC. The Special Committee on Risk Management and Performance Evaluation & Compensation makes recommendations on policies relating to risk management, performance assessment, and compensation, and reviews and deliberates on a performance incentives provision ratio for the NPSIM.

Moreover, to strengthen expertise in each field and improve transparency in investment decision-making, Risk Management Committee, Investment Committee, Alternative Investment (Sub-) Committee, and Investment Management Committee are established under the NPS pursuant to the Regulation on the Management of National Pension Fund and the Guideline for the Management of National Pension Fund.

Risk Management Committee consists of the CEO of the NPS as chair, the CIO of the NPS, and five to seven external experts. The Committee deliberates on and resolves key matters relating to risk management prior to investment execution, receives reports on performance status after investment execution, and recommends corrective actions when necessary.

Investment Committee is comprised of 16 to 19 members, including the CIO of the NPS as chair, Managing Directors, division heads, and up to three team leads appointed by the chair. The Committee deliberates on and resolves investment guidelines and plans for all investment assets executed by the NPSIM.

Alternative Investment Committee, a specialized decision-making body for alternative assets, is established to enhance the efficiency and expertise of investment decision-making in the asset class. The Committee is composed of seven members, including the CIO of the NPS as chair, three internal members (excluding division heads involved in projects under review), and three external experts. The Committee is responsible for deliberating on and making decisions regarding investments and changes in alternative investments. To further streamline the approval process, the Alternative Investment Sub-Committee was established in 2019. The Sub-Committee is chaired by a division head appointed by the CIO from among division heads excluding those involved in projects under review. The Sub-Committee comprises members selected from among team leads and heads of overseas offices, excluding those involved in projects under review.

Investment Management Committee is composed of seven members, including the Managing Director of Risk Management & Legal as chair, three internal members appointed by the chair from among division heads or team leads, and three external members. The Committee's review results are not subject to approval but recorded in associated agenda items to refer to the Investment Committee or Alternative Investment Committee.

For details on the Committees under the Ministry of Health and Welfare (MoHW) such as the FMC, PEC, and Special Committees, please visit MoHW's website at www.mohw.go.kr.

| Committees under NPS

	Key Agenda Items	Meeting Frequency	Composition
Risk Management Committee	· Matters relating to basic guidelines on risk management · Matters relating to setting and managing risk appetite or risk tolerance · Matters relating to designing and operating risk management systems · Matters relating to risk management on new investment assets or methods · Other matters deemed necessary by chair to vote at a meeting	Periodically (at least once every four months) Occasionally	· No. of members : 7 - 9 · Chair : CEO · Members : CIO and 5 to 7 external experts
Investment Committee	· Matters relating to the formulation of annual and monthly investment plans · Matters relating to the selection and management of counterparties · Other matters deemed necessary by chair	Periodically (Monthly) Occasionally	· No. of members : 16-19 · Chair: CIO · Members: Managing directors and division heads at NPSIM, as well as up to 3 team leads appointed by chair
Alternative Investment (Sub-) Committee	· Investment decision-making and change in alternative investments · Other matters deemed necessary by chair	Occasionally	· No. of members : 7 · Chair : CIO · Members : 3 internal members (Managing Director of Investment Strategy and Responsible Investment & Governance or Head of Investment Strategy; Managing Director of Risk Management & Legal or Head of Private Market Risk Management; 1 division head at NPSIM excluding divisions involved in projects under review), and 3 external experts ※ An external expert pool is formed in four areas : Infrastructure, Real Estate, Private Equity & Venture Capital, and Natural Resources Development ※ The chair of the Alternative Investment Sub-Committee is appointed by the CIO from among division heads at NPSIM (excluding a division head involved in projects under review)
Investment Management Committee	· Matters relating to the disposal of investment assets when investee companies are in default, etc. · Matters relating to exercising voting rights on agendas that are not limited by laws in relation to the disposal of non-performing assets among externally managed funds	Occasionally	· No. of members : 7 · Chair : Managing Director of Risk Management & Legal. · Members : 3 internal members (Division Heads or team leads appointed by the chair) and 3 external experts

IV. Key Policies

1 | Asset Allocation
2 | Risk Management
3 | Responsible Investment
4 | Performance Assessment

4

1 | Asset Allocation

2-1. Policy

Pursuant to the National Pension Act, the Guideline for the Management of National Pension Fund, an investment policy statement, is prepared by the Minister of Health and Welfare, and then deliberated and resolved by the National Pension Fund Management Committee (FMC) for implementation. The Guideline prescribes investment objectives, investment principles, organizational structure, and responsibilities.

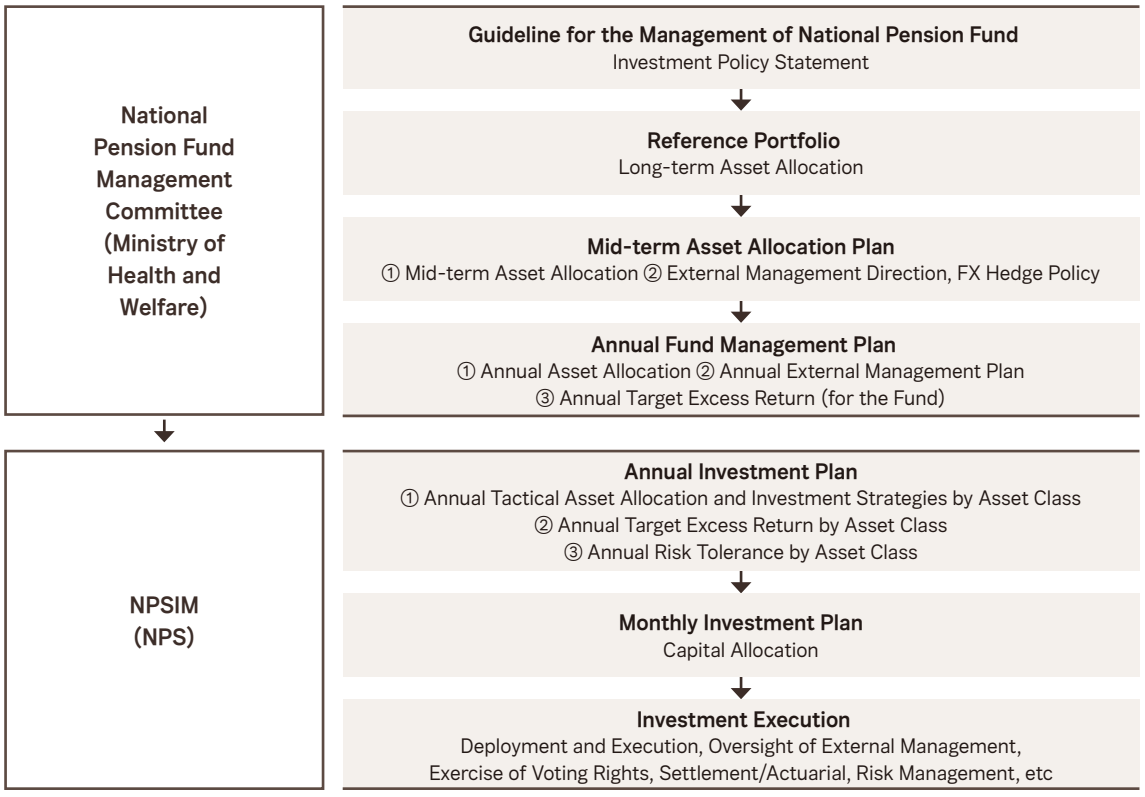
The Fund is managed in accordance with the National Pension Act and the Guideline for the Management of National Pension Fund with the aim of generating value-added returns within acceptable risk tolerance and maintaining its real value to ensure the long-term financial stability of the national pension system.

In this context, the FMC presents a long-term target return to achieve the financial stability of the Fund and long-term investment target, and sets risk tolerance to deliver the return.

The long-term target return stipulated under the Guideline is based on an internal rate of return designed to achieve financial objectives; however, where it is difficult to set the return, it is determined by the FMC in comprehensive consideration of expected return estimated for an actuarial projection, long-term forecast on assets and debts, or financial stability scenarios. Risk tolerance, the maximum level of risk that can be accepted to achieve the long-term objectives, is set at around -15% of the Conditional Value at Risk (CVaR) at a 95% confidence level.

In 2024, the FMC decided to introduce a Reference Portfolio approach as a new asset allocation strategy on the basis of the long-term target return and risk tolerance. The Reference Portfolio presents the long-term asset allocation target with a simple mix of equities and fixed income, and explicitly indicates a risk level appropriate for financial stability. Under the approach, the attributes of global equities and domestic fixed income are applied to equities and fixed income, respectively. The new strategy is utilized as the standard for establishing a strategic asset allocation and annual fund management plan.

| Fund Management Process

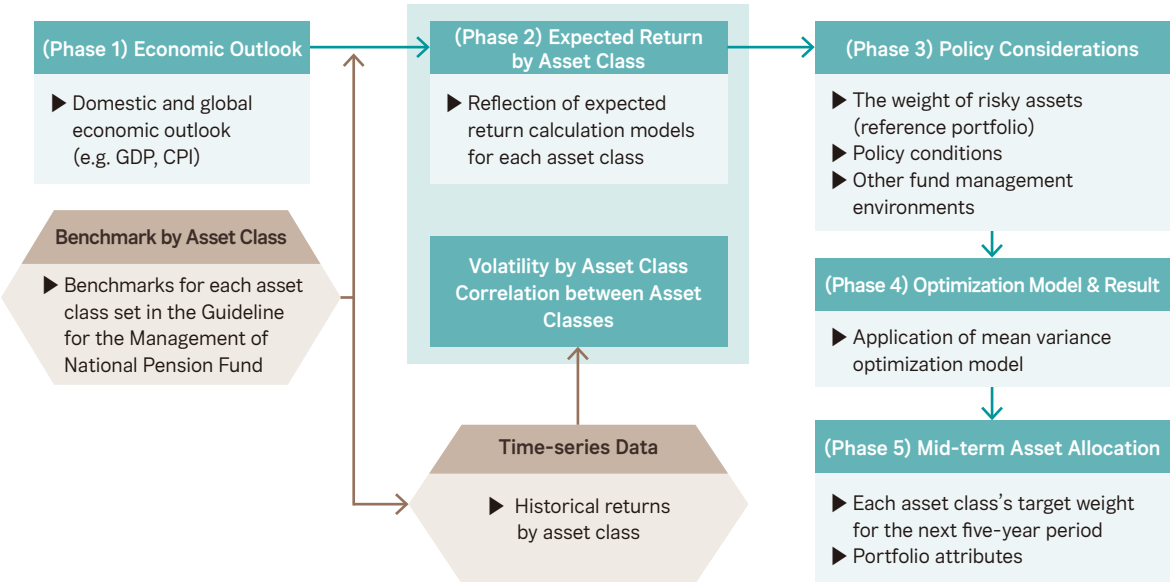


A mid-term asset allocation plan, targeting the next five-year period, is developed by considering expected returns and volatility for each asset class, based on both domestic and global economic forecasts, including factors such as gross domestic product (GDP) and consumer price index (CPI). An annual fund management plan outlines a yearly target allocation for each asset class as a strategic action plan that takes into account the current portfolio status and the broader investment environment, both domestically and internationally.

Moreover, the FMC sets a target excess return that the NPS has to achieve through active management, presenting the level of fund management activeness required to enhance long-term returns. When determining the target excess return, an active risk is also determined to present a total risk level that the NPSIM may harness.

As a dedicated investment arm of the NPS, the NPSIM executes investments in accordance with policies and guidelines approved by the FMC and manages investment portfolios given the characteristics of each asset class. The NPSIM formulates a monthly investment plan that reflects financial markets and economic conditions, and then the plan is determined by the Investment Committee, an internal investment decision-making body. For alternative assets, such as infrastructure and real estate, the Alternative Investment Committee, composed of internal and external experts, makes investment decisions after undertaking investment feasibility analysis and preliminary risk analysis.

Mid-term Asset Allocation Development Process



Investment Allowable Limit

	Domestic Equity	Domestic Fixed Income	Global Equity	Global Fixed Income
Strategic Asset Allocation (SAA)	±3.0	±7.0	±4.0	±0.5
Tactical Asset Allocation (TAA)	±2.0	±5.0	±3.0	+ 2.0 / - 4.0
Total	±5.0	±12.0	±7.0	+ 2.5 / - 4.5

Note: When SAA is within the allowable limit, it is regarded to be within target weight; however, when SAA deviates from the limit, rebalancing occurs to the extent that remains within the allowable limit.

※ As of Dec. 31, 2024

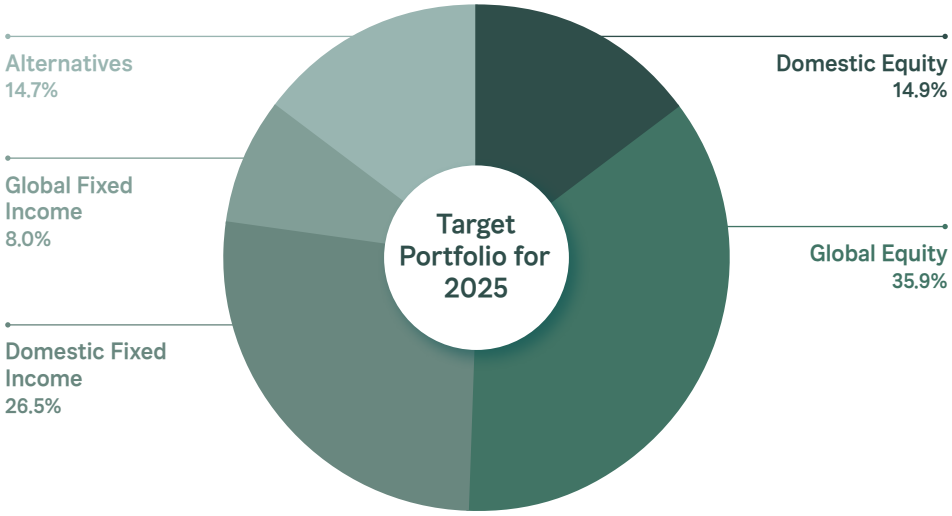
2-2. Mid-term Asset Allocation & Annual Fund Management Plan

In 2024, the FMC presented an optimal asset allocation designed to maximize long-term returns within risk tolerance determined in the reference portfolio while comprehensively considering the impacts of the investments of the Fund on the market. According to the mid-term asset allocation plan, the Fund's target portfolio through 2029 has been set at ± 55% in Equity, ± 30% in Fixed Income, and ± 15% in Alternatives.

Moreover, the FMC developed a 2025 annual fund management plan by reflecting market forecasts and changes in the pension payment status based on the target asset allocation for each asset class as outlined in the mid-term asset allocation plan. An implementation portfolio for 2025 was established as follows: 14.9% in Domestic Equity, 35.9% in Global Equity, 26.5% in Domestic Fixed Income, 8.0% in Global Fixed Income, and 14.7% in Alternatives.

| Mid-term Asset Allocation Plan

| Annual Fund Management Plan



2-3. Investment Execution

At the NPS, the National Pension Fund is managed in three areas: Financial Assets, Welfare Sector, and Others. Financial Assets include domestic equity, global equity, domestic fixed income, global fixed income, alternatives, and other financial instruments. The purpose of classifying assets into different asset classes is to diversify the investment portfolio to enhance profitability and stability of fund management. To this end, the NPS has continued to examine and implement ways to pursue further diversification.

The NPS employs benchmarks (reference portfolio return) for each asset class as key indicators for performance assessment and as a guideline for investment directions. Since benchmarks reflect investment directions and principles, their feasibility and validity are subject to ongoing review and improvement. In this regard, the benchmarks are reviewed annually and when necessary, may be adjusted with the FMC's approval.

| Benchmarks[1)]

Asset Class		Benchmark
Domestic Equity		KOSPI
Global Equity		MSCI AC World Index (ex Korea, Unhedged-to-KRW, customized tax rate) (Customized tax rate is calculated based on actual tax rate that applies to the Fund)
Domestic Fixed Income		Customized Index
Global Fixed Income		NPS Customized Index (ex KRW, Partial hedged (Other Currencies-USD), Unhedged (USD-KRW))
Alternatives	Domestic Private Equity	(KOSPI 3-Year Annualized Return + 2.5%) × w1[2)] + (Domestic Fixed Income BM 3-Year Average YTM + 1.5%) × (1 - w1)
	Global Private Equity	Peer Group Index IRR
	Domestic Real Estate	IPD Korean Index × w2[3)] + [Domestic CPI Inflation (Actual) + 5%] × (1 - w2)
	Global Real Estate	Weighted Average Top 7 IPD Country Index
	Domestic SOC	[Domestic 5-Year Average CPI Inflation (Actual) + 3%] × w3[4)] + [Actual Return from Existing Investment Assets × (1 - w3)]
	Global Infrastructure	Return in KRW terms of 「G7 5-Year Average CPI Inflation (Actual) + 4%」
	Hedge Fund	HFRI FoFs × 0.5 + [U.S. 90 Days T-Bill Treasury Rate + 4.5%] × 0.5

Notes:
1) When conducting performance assessment, Total Return Index is applied.
2) Indicating the weight of domestic private equity investment in the corresponding year
3) Annual increase of 10%p from the initial weight of 50% (IPD Korean Index only has been used since 2018)
4) Actual weight of vintages after the establishment of the corresponding benchmark
※ The benchmark for alternatives will be amended as of Jan. 1, 2025.

Investment Guidelines

Asset Class	Investment Guidelines
Domestic Equity	① Pursue long-term investment horizons and maximize returns within permitted risk tolerance ② For internal management, construct an investment universe, a pool of investable securities; form an investment portfolio with the equities in the universe; pursue passive management from a mid- to long-term perspective ③ For external management, diversify investment styles by utilizing diverse investment techniques of external managers; pursue active management
Domestic Fixed Income	① Hold bonds to maturity and diversify the portfolio by bond type, issuer, corporate group (corporate bond), and maturity structure, to generate long-term stable returns ② Seek excess returns by adjusting duration within a certain range while considering an issuer's credit rating and spreads with risk-free bonds ③ Submit to the FMC the total credit exposure for each issuer and corporate group exposed to credit risk on a yearly basis
Global Assets	① Seek to improve the efficiency of asset allocation through diversification by complementing domestic investments and expanding investment sources ② Build a strong network with global leading peers to advance investment techniques ③ Expand exposure to global assets over the long-term horizon given future asset sales at the peak of the Fund for pension payout, and minimize adverse impacts of such asset sales on domestic financial markets ④ Submit to the FMC the total FX exposure on a yearly basis
Alternative Assets	① Seek to enhance the efficiency of fund management by using risk-return profiles of alternative assets different from traditional assets such as equity and fixed income ② Note that alternative assets include real estate, infrastructure, venture capital, corporate restructuring vehicle (CRV), private equity, hedge fund, natural resources development, tactical investment program, etc. ③ Set an annual commitment limit considering that capitals are invested on several occasions during an investment period ④ Establish a separate decision-making body for alternative assets, the Alternative Investment Committee, to enhance efficiency and expertise in investment decision-making ⑤ Obtain advice from external experts or professional agencies when establishing detailed investment plans, executing investments, and conducting post-investment management ⑥ Make every effort to source compelling investment opportunities
Short-term Assets	① Note that short-term assets refer to idle assets held temporarily for the purpose of paying out pension benefits or investing in mid- to long-term assets ② Keep KRW-denominated short-term assets to a minimum, and invest in high-return securities for an investment period of up to three months, upon review of the stability and liquidity of such securities ③ Manage short-term assets denominated in foreign currencies in a way to maintain the stability of foreign currency liquidity, and invest within USD 3 billion of daily average balances of each quarter in consideration of the impact on foreign exchange markets
Securities Lending	① Conduct securities lending in pursuit of excess returns to the extent that does not harm the stability

2 | Risk Management

The NPS categorizes risks that may impact the stability and profitability of the National Pension Fund into five types: market risk, credit risk, liquidity risk, operational risk, and legal risk. These risks are closely monitored and controlled at all times by setting both an overall risk tolerance for the Fund and specific risk tolerances for each asset class annually based on strategic asset allocation and active risk distribution. As investment returns are generated through adequate risk-taking and risk management, the NPS is fully committed to systematically managing risks to prevent exposure to excessive or unnecessary risks relative to potential returns.

Public Market Risk Management division and Private Market Risk Management division, dedicated risk management divisions within the NPSIM, oversee investment risks. Risk Management Committee, chaired by the CEO of the NPS and comprising external experts, has been established to efficiently manage risks associated with investment activities. Compliance Officer, who reports directly to the CEO, independently performs internal control activities. Moreover, audits are periodically conducted by an internal audit division and external entities including the Board of Audit and Inspection and the National Assembly.

Risk Type and Definition

Market Risk	· Market risk is the possibility of a decline in the value of assets, resulting from movements in market variables such as stock prices, interest rates, and exchange rates, and is measured using Value at Risk (VaR).
Credit Risk	· Credit risk is the possibility of loss or decline in value of assets, arising from the failure of an issuer or counterparty to perform its obligations under a contract, and is measured by exposure, expected loss, unexpected loss, etc.
Liquidity Risk	· Liquidity risk is the possibility of loss due to the inability to trade at a fair price with immediacy as a result of lack of liquidity, slowdown of market transactions, etc.
Operational Risk	· Operational risk is the risk of financial or reputational loss that can result from inadequate internal control, work processes, system errors, human errors, misconduct, etc.
Legal Risk	· Legal risk is the possibility of loss that can arise from misinterpretation of laws, contractual errors, etc.

Risk Management Process

1. Planning	2. Policy Implementation	3. Monitoring
National Pension Research Institute	NPSIM	Investment Teams
· Conduct actuarial projection	· Formulate annual and monthly investment plans · Develop control measures for each risk · Establish a risk management system	· Execute investments (equities, fixed income, alternatives)
		Public Market · Private Market Risk Management Division
		· Measure risk tolerance · Monitor and manage risks · Control exposures
National Pension Fund Management Committee	Risk Management Committee	Investment Legal Team
· Establish a mid-term asset allocation plan and annual fund management plan · Set a target active risk · Define risks and performance	· Allocate risk tolerance for each asset class (market, credit, active) · Formulate key risk management criteria	· Manage legal risks
		Compliance Officer
		· Conduct internal control
		Audit Division
		· Check compliance with fund management plans

3 | Responsible Investment

3-1. Stewardship Activities and Responsible Investment

(1) Overview

As a long-term investor with a fiduciary duty to protect and enhance the value of assets under management, the NPS acts in the best interests of the contributors and beneficiaries of the National Pension Plan. To fulfill this responsibility, the NPS conducts stewardship activities, including responsible investment and the exercise of shareholder rights, with the goal of achieving long-term and stable returns.

In January 2015, the National Pension Act was amended to establish the basis for integrating environmental, social, and governance (ESG) factors into investment decision-making. In July 2018, the NPS adopted Responsible Investment & Governance Principles, Stewardship Code. Alongside this, the Guideline for Stewardship Activities for National Pension Fund was enacted to provide a structured framework for stewardship activities.

| Legal Ground

National Pension Act
Article 102 (Management and Operation of Fund) (4) Where the Minister of Health and Welfare manages and operates the Fund pursuant to paragraph (2) 3, he/she may take into account environmental, social, and governance factors related to investment targets, to achieve long-term and stable revenues.
Guideline for the Management of National Pension Fund
Article 4 (Investment Principles) 5. Sustainability: To fulfill its fiduciary duty to enhance the sustainability of investment assets, particularly by integrating environmental, social, and governance (ESG) factors into investment decision-making **Article 17 (Responsible Investment)** (1) Where the Fund is administered and managed by means of trading and lending of securities, ESG aspects may be taken into consideration in investment decisions, in order to deliver long-term stable returns. The Principles for Responsible Investment shall be presented in Appendix 4. **Article 17-2 (Responsible Investment & Governance Principles)** In a bid to enhance transparency and independence of stewardship activities and improve long-term returns, stewardship activities shall be conducted in accordance with the Responsible Investment & Governance Principles approved by the FMC and referred to by the Korea Stewardship Code, the "Principles on the Stewardship Responsibilities of Institutional Investors."
Guideline for Stewardship Activities for National Pension Fund
PART 1 (General Provisions): Purpose, Scope of Application, Basic Principles, Stewardship Activities, Decision Making Body PART 2 (Responsible Investment): Target Companies, Non-financial Factors (ESG), Incorporation Method PART 3 (Exercise of Shareholder Rights) - Voting (Target Companies, Basic Principles, Specific Voting Guidelines, etc.) - Stewardship Activities on Focus Areas (Confidential Dialogues, Selection of Confidential/Public Focus List, Open Letters, Shareholder Proposals, etc.) - Stewardship Activities on Unexpected Concerns (Target Companies, Provisions Applicable Mutatis Mutandis) - Initiation of Litigation (Determination on Initiation of Litigation, Request for Litigation, Initiation of Damage Claim, Provisions Applicable Mutatis Mutandis, etc.) PART 4 (Public Disclosure, Submission, etc.): Notification and Disclosure, Public Disclosure and Submission, Responsible Investment & Governance Report, Internal Control, Record Keeping, Capacity Building, etc. Exhibits: Voting Guidelines for Domestic Equity, Voting Guidelines for Global Equity, Voting Results, Focus Areas Selection Criteria

(2) Key Principles

The NPS manages and invests the National Pension Fund in compliance with six investment principles, including profitability, stability, and sustainability, laid down in the Guideline for the Management of National Pension Fund. To achieve stable growth of the Fund, the NPS conducts responsible investment and exercises shareholder rights.

Key policies relating to responsible investment and the exercise of shareholder rights are determined by the National Pension Fund Management Committee (FMC), and general principles and specific standards on responsible investment and the exercise of shareholder rights are approved by the Special Committee on Responsible Investment & Governance under the FMC. As decided by the FMC and the Special Committee, the NPS undertakes responsible investment including ESG integration and management of ESG-related focus areas, and exercises shareholder rights through voting, selecting companies in focus list, sending open letters, making shareholder proposals, and initiating litigation.

Key Principles and Activities

Responsible Investment Principles	Responsible Investment & Governance Principles (Stewardship Code)
(1) Achieve long-term and stable returns (2) Implement RI according to the Guideline for Stewardship Activities for National Pension Fund (3) Implement RI on equity and fixed income assets (4) Incorporate non-financial factors, including environmental, social, and governance (ESG) into investment decisions (5) Conduct shareholder engagement with investee companies (6) Consider RI when selecting and assessing external managers (7) Encourage investee companies to publicly disclose ESG-related information (8) Enhance capabilities and expertise in RI (9) Regularly report RI activities	(1) Formulate and publicly disclose Stewardship Activities Policy (2) Formulate and publicly disclose Conflicts of Interest Prevention Policy (3) Regularly monitor investee companies (4) Formulate a guideline for stewardship activities and conduct shareholder engagement (5) Formulate and publicly disclose Voting Right Policy, and publicly disclose voting results and reasons for each vote (6) Regularly report stewardship activities (7) Enhance capabilities and expertise in effective implementation of stewardship activities

Article 17-3 (Responsible Investment and Exercise of Shareholder Rights)

Responsible investment and exercise of shareholder rights shall be undertaken:

(1) With the objective of achieving stable growth of assets under management;
(2) In good faith in the best interests of the contributors and beneficiaries of the National Pension Plan;
(3) In a direction towards increasing shareholder value over the long run;
(4) In compliance with standards, processes, and procedures as stipulated in the Guideline for Stewardship Activities for National Pension Fund approved by the FMC;
(5) By NPS in principle. However, certain matters shall be determined by the Special Committee on Responsible Investment & Governance following NPS's analysis. Such matters include (i) matters deemed difficult for the NPS to make a decision in relation to the exercise of voting and shareholder rights; (ii) matters requested by at least one-third of incumbent members of the Special Committee based on the likelihood of having a significant impact on long-term shareholder value; (iii) matters relating to selection of companies subject to confidential dialogue; (iv) matters relating to selection of companies subject to confidential and public Focus List; (v) matters relating to shareholder proposal (excluding shareholder proposals defined in Article 154 (1) of the Enforcement Decree of the Financial Investment Services and Capital Markets Act); (vi) matters relating to sending open letters, etc.
(6) NPS may delegate the decision of voting direction to external managers.
(7) The Special Committee on Responsible Investment & Governance shall review the Guideline for Stewardship Activities for National Pension Fund on a yearly basis and submit the results to the FMC: Provided, That the timing of review may be adjusted where appropriate.

Guideline for Stewardship Activities for National Pension Fund

Article 4, Guideline for Stewardship Activities for National Pension Fund (Stewardship Activities)

(1) For fixed income and equity investments, confidential dialogues and responsible investment activities may be carried out in relation to:
  1. Incorporation of non-financial factors such as ESG into investment decision-making;
  2. ESG-related focus areas, etc.
(2) For listed equities held by the Fund, confidential dialogues may be conducted and the following shareholder rights may be exercised:
  1. Voting;
  2. Conducting confidential dialogues, selecting companies in confidential and public focus list, sending open letters, making shareholder proposals, etc. on Focus Areas;
  3. Conducting confidential dialogues, sending open letters, making shareholder proposals, etc. on Unexpected Concerns;
  4. Initiating litigation.
(3) Shareholder engagement defined in paragraph (1) subparagraph 2 may be conducted through activities stipulated in paragraph (2).
(4) Stewardship activities may be performed for any matters deemed necessary by the chair of the National Pension Fund Management Committee (FMC), or any matters decided by the FMC.

(3) Milestones

The NPS initiated responsible investment (RI) with externally managed RI funds for domestic equities in September 2006. Since then, NPS has been committed to taking part in a range of RI activities to establish a foundation for responsible investing. In June 2009, the NPS became a signatory to the Principles for Responsible Investment (PRI). In March 2013, Responsible Investment team was created under Investment Strategy division to integrate all voting rights that had been exercised separately by domestic and global equity investment teams, thereby paving the way toward adopting stewardship activities. In 2015, a plan to promote dialogues with companies in the domestic equity portfolio on dividend policy was developed. In December of the same year, an ESG Evaluation System for Domestic Equity was established. In 2016, an ESG Information Sharing Platform that provides relevant information to investment professionals was developed to provide the foundation for ESG integration in investment decision-making.

In July 2018, Responsible Investment & Governance Principles, or Stewardship Code, was adopted. In January 2019, the Responsible Investment team was expanded and reformed to Global Responsible Investment & Governance division, consisting of Responsible Investment team and Corporate Governance team. In November 2019, a Plan to Facilitate Responsible Investment was formulated to lay the groundwork for applying RI activities to a broader range of asset classes. In December 2019, a Guideline for Active Ownership for National Pension Fund was developed to expand the scope of shareholder engagement. In July 2020, NPS issued its first annual Responsible Investment & Governance Report to disclose its stewardship activities in a transparent manner. In November 2020, a Guideline for ESG Integration for Domestic Equity was formulated to apply ESG Integration to internally managed domestic equities. In May 2021, negative screening was adopted in line with the FMC's announcement on coal phase-out (exclusion of coal mining and coal-fired power industry).

In June 2021, a Guideline for ESG Integration for National Pension Fund was amended to apply the strategy to domestic fixed income (corporate bond). In December 2021, a Guideline for Responsible Investment on Composition and Operation of Boards of Directors was disclosed to enhance the predictability of investee companies by sharing information on the NPS's direction for key RI activities, including the exercise of voting rights.

In February 2022, the Guideline for Stewardship Activities for National Pension Fund was amended to expand the scope of the exercise of voting rights on companies in the global equity portfolio (portfolio weight: 0.5% and above ☒ 0.3% and above). In March, e-voting was first utilized for domestic equities. In June, the NPS joined the IFRS Sustainability Alliance (previously SASB Alliance), and added a requirement for the securities firm selection process to check whether a responsible investment report has been issued. As such, the NPS has consistently undertaken efforts to bolster responsible investment.

In March 2023, the Guideline for Stewardship Activities for National Pension Fund was amended again to add climate change and industrial safety to focus areas to lay the foundation for conducting shareholder engagement (e.g. confidential dialogue, shareholder proposal) when a company shows no improvement on the issues. In addition, to encourage companies to strengthen their RI practices, the securities firm selection criteria for domestic equities were amended to assign additional points to RI-related evaluation factors and to add a new evaluation factor that enables the evaluation of ESG management activities of securities firms. In April, the Guideline for ESG Integration for National Pension Fund was amended to apply to global equities. In December, a Governance Advisory Committee was formed within the NPSIM. The Committee may present its views to the CIO of the NPS on advisable governance structure, voting criteria, and direction for improvement on the Stewardship Code.

In February 2024, detailed implementation procedures were established by developing a detailed action plan related to shareholder engagement in focus areas including dividend policy, remuneration cap for directors, climate change, and industrial safety (including criteria and process of selection of applicable companies and identification of improvement status). In April, the Guideline for ESG Integration for National Pension Fund was amended to apply to global fixed income. In September, a plan to adopt dialogues with companies in the global equity portfolio was formulated, and accordingly, dialogues on ESG issues with the companies concerned in the global equity portfolio will be carried out going forward. In November, the NPS joined the ISSB Investor Advisory Group (IIAG) that provides strategic guidance on the disclosure of sustainability. In December, an investment strategy for energy transition in coal-related companies (proposal) was mapped out to encourage coal-related portfolio companies to accelerate energy transition and achieve their sustainability goals.

2006
Sept | Launched externally managed RI funds for domestic equities

2009
Jun | Became a signatory to the Principles for Responsible Investment (PRI)
Dec | Added a provision on responsible investment to the Guideline for Exercise of Voting Rights

2013
Mar | Created Responsible Investment team under Investment Strategy division

2015
Jun | Formulated ways to promote dialogues with domestic listed companies on dividend policy
Nov | Adopted new benchmark for externally managed domestic RI funds
Dec | Established an ESG Evaluation System for domestic equities

2016
Apr | Added a provision on responsible investment to the Guideline for the Management of National Pension Fund (Investment Policy Statement)
Dec | Established an ESG Information Sharing Platform for domestic equities

2017
Jul | Established an Evaluation System on ESG Controversial Issues for domestic equities
Sept | Applied ESG Integration to internally managed domestic equities

2018
Jul | Adopted Responsible Investment & Governance Principles (Stewardship Code)
| Renamed and amended the Guideline for Exercise of Voting Rights to the Guideline for Stewardship Activities for National Pension Fund

2019
Jan | Reorganized and expanded Responsible Investment team to Global Responsible Investment & Governance division (Responsible Investment team and Corporate Governance team)
Developed a Guideline for Stewardship Activities for Domestic Equity
Feb | Decided on the disclosure scope of voting direction prior to shareholder meetings
Sept | Joined the ICGN (International Corporate Governance Network)
Joined the ACGA (Asian Corporate Governance Association)
Nov | Established a Plan to Facilitate Responsible Investment and adopted RI Principles
| Added a new principle 'Sustainability' to investment principles set out in the Guideline for the Management of National Pension Fund
| Developed a Guideline for Proxy Voting
| Formulated a plan to assign additional points to external managers that have adopted responsible investment principles in the selection and evaluation process of external managers
Dec | Formulated a Guideline for Active Ownership of Domestic Equity

2020
Jul | Issued the first annual Responsible Investment & Governance Report
Amended the Guideline for Stewardship Activities for Domestic Equity
Sept | Developed ways to improve materiality assessment procedures and standards on unexpected concerns
Nov | Developed a Guideline for ESG Integration for National Pension Fund Joined the AIGCC (Asia Investor Group on Climate Change)

2021
May | Adopted Negative Screening
Jun | Applied ESG Integration to internally managed domestic fixed income (Corporate Bond)
Dec | Disclosed a Guideline for Responsible Investment on Composition and Operation of Boards of Directors
Dec | Formulated ways to consider RI factors when selecting and monitoring external managers for domestic and global equities and fixed income

2022
Feb | Amended the Guideline for Stewardship Activities for National Pension Fund Expanded the scope of voting on global equities
Mar | Commenced e-voting for domestic equities
Jun | Joined the IFRS Sustainability Alliance (previously, SASB Alliance)
| Included the issuance of a responsible investment report as an evaluation factor in the securities firm selection process

2023
Mar | Amended the Guideline for Stewardship Activities for National Pension F und
Added climate change and industrial safety to focus areas
| Assigned additional points to responsible investment-related evaluation factors in the securities firm selection process for domestic equities
Apr | Applied ESG Integration to internally managed global equities
Dec | Formed a Governance Advisory Committee

2024
Feb | Amended the Guideline for Stewardship Activities for Domestic Equity
Apr | Applied ESG Integration to internally managed global fixed income (Corporate Bond)
Sept | Developed a plan to adopt dialogues with companies in the global equity portfolio (Proposal)
Nov | Joined the ISSB Investor Advisory Group (IIAG)
Dec | Developed an investment strategy for energy transition in coal-related companies (Proposal)

3-2. Key Activities

(1) ESG Incorporation

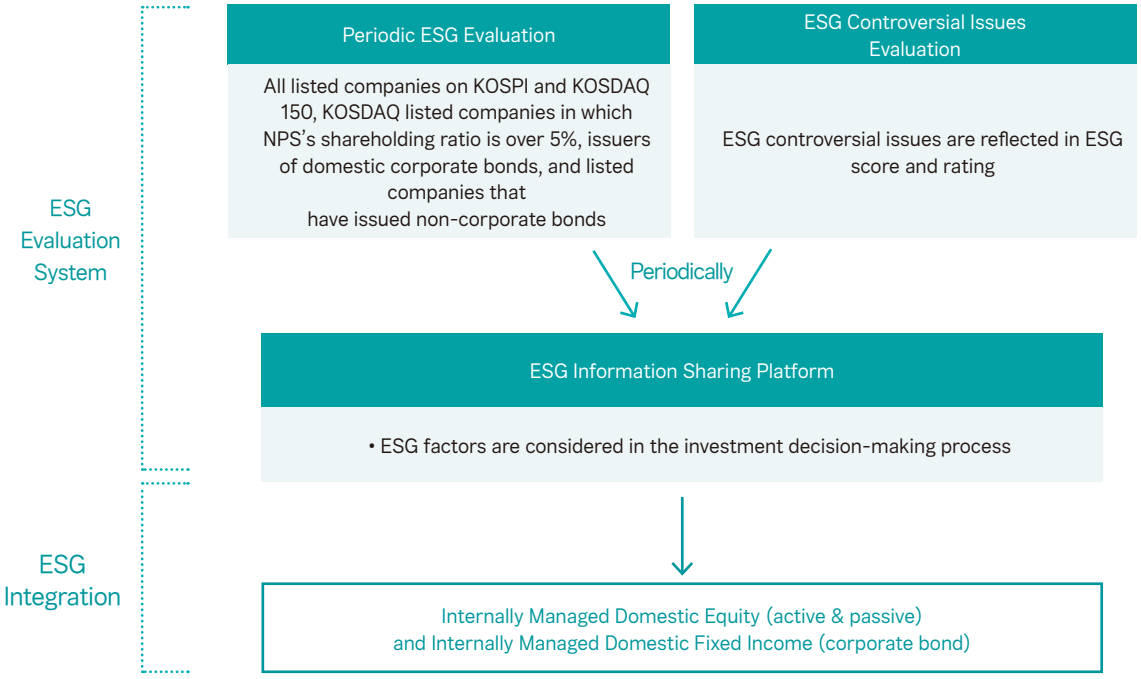
① Internal Management

(a) ESG Integration for Domestic Equity and Fixed Income

The NPS has developed its proprietary ESG Evaluation System to analyze non-financial factors, including ESG, in a systematic manner. Using the system, ESG evaluation is conducted twice a year for all listed companies (KOSPI, KOSDAQ 150), KOSDAQ listed companies in which NPS's shareholding ratio is over 5%, issuers of domestic corporate bonds, and listed companies that have issued non-corporate bonds. The ESG Evaluation System is composed of 61 ESG indicators in 14 items that affect enterprise value in terms of ESG. Considering the characteristics of each industry, different weighting per industry is applied to each category to calculate ESG score and rating.

Following the evaluation, ESG information, including ESG evaluation results, is provided to portfolio managers overseeing internally managed domestic equities and fixed income through the ESG Information Sharing Platform so that such information can be considered, alongside financial factors, during the investment decision-making process.

| ESG Evaluation & Internal Management ESG Integration Process



* Controversial issues refer to any and all events or controversial issues that may affect enterprise value.

In 2017, the NPS initiated ESG Integration to internally managed active domestic equities. In November 2020, the strategy was expanded to apply to internally managed passive domestic equities, and a Guideline for ESG integration for Domestic Equity, which entails enhanced implementation measures, was established to apply ESG integration to all of the internally managed domestic equities. In addition, in 2021, the Guideline for ESG Integration for National Pension Fund was amended to expand the application to internally managed domestic fixed income (corporate bond).

In accordance with the Guideline, portfolio managers overseeing internally managed domestic equities examine ESG-related details when reviewing new securities to be added to the investment universe. If such securities are placed under the lowest ESG rating, portfolio managers provide written opinions and attach an ESG report to an examination report. Moreover, when examining the investment universe, securities falling under the lowest ESG rating are checked to identify whether they are included in the universe above their benchmarks. If it is observed that securities falling under the lowest ESG rating are included above their benchmarks, the reason and investment opinions are reviewed and such securities are constantly monitored. As for internally managed domestic fixed income (corporate bond), if it is observed, when considering adding new securities to the investment universe or investing in new securities, that an issuer falls under the lowest ESG rating, portfolio managers examine associated ESG-related information and conduct thorough reviews on the issuer.

(b) ESG Integration for Global Equity and Fixed Income

In April 2023, the NPS amended the Guideline for ESG Integration for National Pension Fund to apply the strategy to global equities and fixed income. The amended Guideline indicates the processes about when to consider ESG information: for internally managed active global equities, when conducting basic analysis on companies under review for investment; for internally managed passive global equities, when examining the investment universe and trading securities; for internally managed global corporate bonds, when trading securities. Also, the guideline stipulates a process for companies falling under the lowest rating in the portfolio, which requires their ESG practices to be monitored twice a year. In December 2023, the NPS selected a third-party ESG ratings agency to be utilized for the implementation of responsible investment (RI) in global equities and fixed income, and since then, the NPS has received ESG information on ESG score, rating, and controversial issues of global companies. Based on the ESG information provided, the NPS considers and examines ESG information in accordance with the Guideline.

② External Management

The NPS manages externally managed RI funds as one of the externally managed domestic equities. The funds track an internally developed benchmark, the NPS-FnGuide Responsible Investment Index, designed to reflect the unique characteristics of externally managed RI funds. When selecting external managers for RI funds, the NPS considers various factors, including expertise, ethics, investment strategies, investment process, and adherence to the Guideline for Investment in RI Funds. Once selected, external managers may conduct a range of RI strategies. Since November 2020, the NPS has required external managers managing RI funds to submit an RI report, which serves as a tool for monitoring their ongoing commitment to RI practices.

In December 2021, the NPS implemented measures to consider RI factors when selecting and monitoring external managers for domestic and global equities and fixed income, and to require all external managers for equities and fixed income, including those managing RI funds, to submit their RI report. To further encourage external managers to strengthen their RI practices, since December 2023, the NPS has assigned additional points to RI-related evaluation factors when selecting external managers for domestic fixed income, global equities, and global fixed income.

(2) Negative Screening

In November 2019 when the FMC formulated a Plan to Facilitate Responsible Investment, the committee reached a decision to additionally review the necessity, application scope, and process of negative screening. Accordingly, in February 2021, the FMC decided to review the adoption of negative screening in the field relating to climate change first. In May 2021, the FMC announced the adoption of negative screening on the coal mining and coal-fired power industries as part of efforts to combat climate change, and agreed to develop a detailed action plan through commissioned research.

In December 2021, the NPS commissioned research to define the application scope, standards, and selection method of the target industry as a preparation process for the adoption of negative screening. In April 2022, the results of the commissioned research were reported to the FMC. In 2023, the NPS actively supported the Ministry of Health and Welfare in developing a phased action plan, including the scope and standards of the target industry, selection methods of target companies, and implementation timing by asset class and geography, by gathering opinions from various stakeholders and discussing ways to implement investment strategies on the coal mining and coal-fired power industry with related organizations. In December 2024, an investment strategy for energy transition in coal-related companies was approved by the FMC after obtaining and considering views from various stakeholders.

(3) Voting

The NPS exercises its voting rights on portfolio companies in good faith and in the best interests of the contributors and beneficiaries of the National Pension Plan according to the National Finance Act and the Guideline for the Management of National Pension Fund. Voting is conducted in accordance with the Guideline for Stewardship Activities for National Pension Fund that stipulates voting criteria, procedures, and methods, as well as by referring to advice from a third-party agency specializing in agenda analysis, to vote in a professional and faithful manner.

Voting rights are exercised after deliberation and resolution at the Investment Committee, etc. under the NPSIM based upon the NPS's shareholding ratio and a company's weight in the Fund portfolio. However, voting directions for certain agendas are determined by the Special Committee on Responsible Investment & Governance, (i) when the NPS requests the Special Committee to determine voting direction as it deems difficult for the NPS to make a decision, or (ii) when at least one third of the Special Committee's incumbent members requests that it be referred to the committee as it deems to have a significant impact on shareholder value over the long term. In addition, the FMC developed a Guideline for Proxy Voting and decided to delegate the decision of voting direction for some holdings to external managers from annual general meetings of shareholders in March 2020.

Moreover, the NPS strives to determine voting positions by listening to and considering companies' views on agenda items at shareholder meetings. As such, the NPS has been in constant communication with the market in light of the exercise of voting rights. In 2024, with a view to further enhancing transparency of the exercise of voting rights on domestic listed companies, the NPS facilitated communication by holding an information session for listed companies and convening meetings with external managers prior to the annual general meeting season.

The NPS discloses the results of voting activities and reasons for voting against on the NPSIM website, including applicable provisions in the Guideline for Stewardship Activities for National Pension Fund, within 14 days after a shareholder meeting is held. However, voting directions for certain agendas can be disclosed before a shareholder meeting. The agendas include (i) agendas of a company where the NPS's shareholding ratio is more than 10% or its weight is more than 1% in the Fund portfolio, and (ii) agendas whose voting direction is determined by the Special Committee. In 2024, the NPS disclosed 93 shareholder meetings for listed domestic companies and six shareholder meetings for listed overseas companies prior to the meetings.

(4) Shareholder Engagement

The NPS undertakes shareholder engagement at phases according to the Guideline for Stewardship Activities for Domestic Equity, including a selection of confidential dialogue, selection of confidential focus list, selection of public focus list, and active ownership. If a company shows no improvement despite a series of shareholder engagement, the NPS may exercise its voting rights for associated agendas or appointment of directors at a shareholder meeting, or send open letters.

In order to conduct shareholder engagement in a transparent and impartial manner, a Guideline for Active Ownership for National Pension Fund was formulated in December 2019. The focus of the Guideline is not on involvement in management affairs, but on enhancing shareholder and enterprise value by helping develop improvement measures through sufficient dialogues in relation to focus areas and unexpected concerns. When an issue requiring shareholder engagement occurs, the NPS seeks to check the facts and conducts sufficient dialogues to address issues according to the Guideline for Stewardship Activities for Domestic Equity. Only when it is difficult to expect improvements from a company, is active ownership engagement conducted.

In 2024, the NPS conducted shareholder engagement on selected focus areas relating to dividend policy, remuneration cap for directors, violation of laws and regulations, repetitive vote against, climate change, and industrial safety, with the aim of achieving long-term and stable returns. In addition, in September 2024, the FMC approved a plan to adopt dialogues with companies in the global equity portfolio, expanding the scope of the exercise of shareholder rights to include global equities, alongside domestic equities.

Stewardship Activities on Focus Areas and Unexpected Concerns

	Focus Areas	Unexpected Concerns
Objectives	To enhance shareholder value and long-term returns of the Fund	
Action to be taken	Request a company to make improvement on focus areas	Request a company to make improvement on unexpected concerns
Selection of a Company subject to Confidential Dialogue	· (Targets) Companies falling under the criteria of focus areas, among companies with the NPS's shareholding ratio exceeding 5% or the company's weight exceeding 1% in the Fund portfolio · (Activities) Establish an amicable communication channel to encourage the company to establish action plans and countermeasures to enhance shareholder value * In principle, engagement is conducted confidentially. However, if a company shows no willingness to improve, such as by refusing dialogue, it may be placed on a confidential or public focus list following a resolution by the Special Committee on Responsible Investment & Governance.	· (Targets) Companies selected for confidential dialogue by the Special Committee on Responsible Investment & Governance through a materiality assessment when an ESG-related controversial issue* arises * Including events or issues that may affect enterprise value. · (Activities) Establish an amicable communication channel to encourage the company to establish action plans and countermeasures to enhance shareholder value * In principle, it is conducted confidentially. However, an open letter is sent if a company shows no willingness to improve, such as by refusing dialogue.
Selection of a Company in Confidential / Public Focus List	· (Targets) Companies showing no improvement despite a series of dialogues for a certain period · (Activities) Designate the company in focus list and continuously encourage it to make improvement * In principle, it is conducted confidentially. However, if no improvement is made until year-end, the Special Committee decides whether to publicly disclose the company in a public focus list.	N/A
Active Ownership	· (Target) Companies showing no improvement despite a series of dialogues for a certain period · (Activities) Proceed with shareholder proposal, etc. following review by the Special Committee and approval by the FMC in accordance with the Guideline for Active Ownership * As for issues relating to dividend policy and remuneration cap for directors, shareholder proposals not involved in management affairs are first made based on the decision by the Special Committee.	· (Target) Companies showing no improvement despite a series of dialogues for a certain period · (Activities) Proceed with shareholder proposal, etc. following review by the Special Committee and approval by the FMC in accordance with the Guideline for Active Ownership

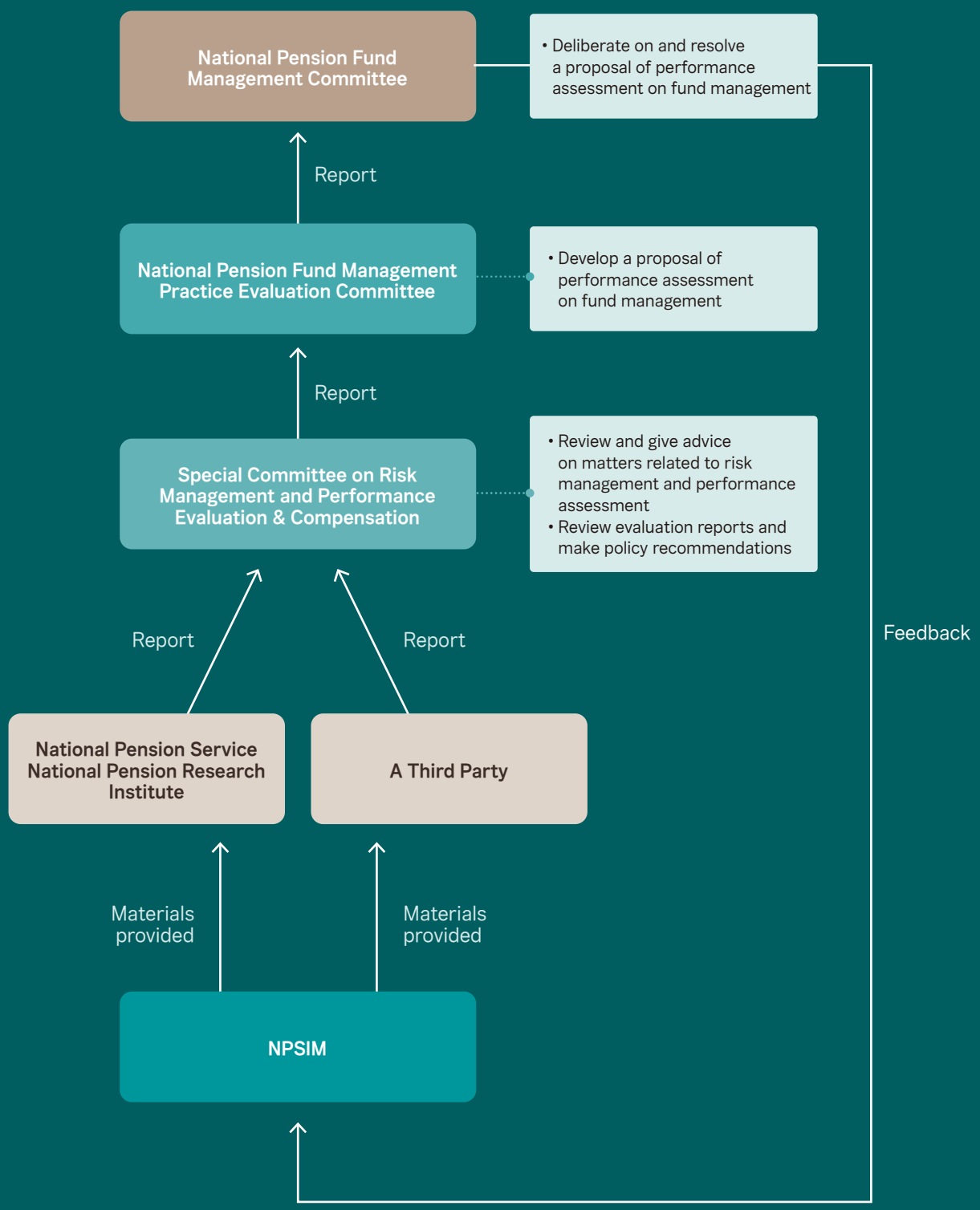
4 | Performance Assessment

The purpose of the performance assessment on fund management is to enhance public trust by disclosing performance results in an objective and transparent manner, as well as to improve and advance fund management practices using such results. Performance assessment is conducted on a yearly basis for a period of three years or longer and includes quantitative comparative analysis on each benchmark as well as qualitative analysis on improvements geared towards investment systems and risk management activities.

Performance assessment for a year commences with the development of performance assessment reports by both the National Pension Research Institute and a third party selected by the Ministry of Health and Welfare. These reports are first reviewed by the Special Committee on Risk Management and Performance Evaluation & Compensation, then deliberated by the National Pension Fund Management Practice Evaluation Committee, and finally submitted to the National Pension Fund Management Committee for approval. This process concludes with the finalization of the performance assessment in early July of the following year.

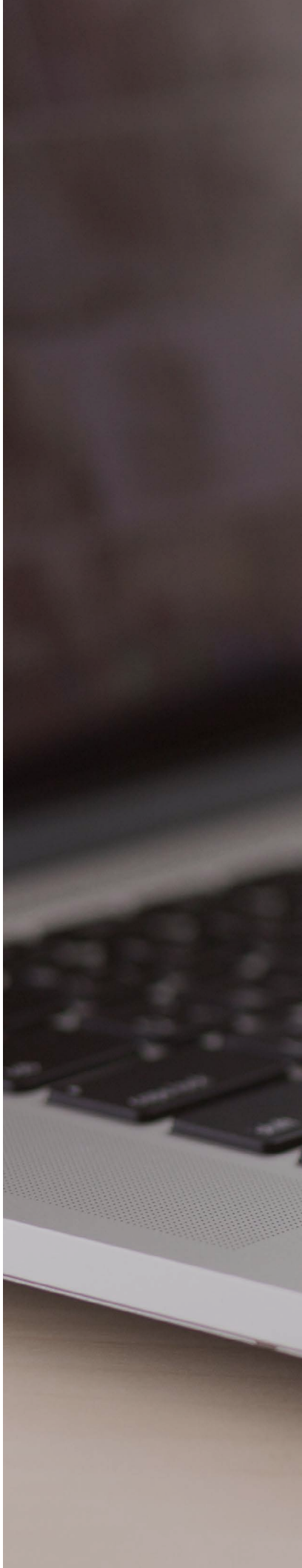
The performance assessment on fund management is undertaken in compliance with the Global Investment Performance Standards (GIPS®). For the assessment of performance, a time-weighted return is used, and for the assessment of the Fund, a money-weighted return is applied. Additionally, a rate of return based on book value may be employed in parallel, depending on investment conditions of assets. All rates of return are calculated after deducting actual transaction costs incurred during the performance assessment period from total revenues, which include both realized and unrealized gains and losses.

| Performance Assessment Reporting Process



Appendix

1 | 2024 Financial Statements
2 | Disclosures
3 | FMC Meetings
4 | External Manager Selection Criteria
5 | Key Statistics



National Pension Fund Report 2024

1 | 2024 Financial Statements

Independent Auditors' Report (Based on a report originally issued in Korean)

To Minister of Health and Welfare and the National Pension Fund Management Committee

Opinion

We have audited the financial statements of National Pension Fund (hereinafter the "NPF"), which comprise the statement of financial position as at December 31, 2024 and December 31, 2023, and, the statements of financial operation, and statements of changes in net assets for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of December 31, 2024 and 2023 and the results of its financial operation, and the changes in its net assets for the years then ended in conformity with the National Accounting Standards of the Republic of Korea.

Basis for Opinion

We conducted our audit in accordance with Korean Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the NPF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Korea, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the NPF's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Korean Standards on Auditing, we exercise professionaljudgment and maintain professional skepticism throughout the audit. We also:

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

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

Grant Thornton Daejoo

Seoul, Korea
February 17, 2025

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

Grant Thornton Daejoo(대주회계법인/大州會計法人), a Korean Accounting Firm is a member of Grant Thornton International Ltd(GTIL), "Grant Thornton" refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the requires. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Statements of Financial Position

As of December 31, 2024 and 2023

(In Korean Won)

	2024	2023
Assets		
I. Current Assets	₩ 346,849,267,050,426	₩ 278,278,207,886,306
1. Cash and cash equivalents	3,423,404,411,482	2,478,354,762,940
2. Short-term financial instruments	12,640,000,000,000	15,090,000,000,000
(1) Bank deposits	12,640,000,000,000	15,090,000,000,000
3. Short-term investment securities	327,121,151,788,351	257,197,409,968,490
(1) Debt securities	50,096,651,395,376	46,061,536,093,543
a. Government bonds	15,851,804,019,040	12,233,663,577,841
b. Public bonds	30,272,116,494	39,800,206,900
c. Municipal bonds	2,279,612,957,707	2,058,246,836,144
d. Special bonds	11,198,722,688,389	6,985,346,914,037
e. Financial bonds	7,114,458,207,044	5,388,302,215,090
f. Credit financial bonds	2,541,425,240,879	4,669,771,937,095
g. Corporate bonds	9,513,464,587,876	12,230,695,781,839
h. Foreign bonds	1,516,905,641,874	1,455,708,624,597
i. Electronic short-term bonds	49,985,936,073	-
(2) Equity securities	277,024,500,392,975	211,135,873,874,947
a. Domestic stocks	69,057,072,781,023	72,629,926,053,005
b. Foreign stocks	207,967,427,611,952	138,505,947,821,942
4. Other receivables	2,978,183,743,076	2,756,040,979,327
(1) Accrued interest income	2,712,234,686,702	2,363,068,144,211
(2) Accrued other income	190,643,036,546	166,791,540,068
(3) Other accounts receivable	75,359,692,287	226,289,635,355
Allowance for other accounts receivable	(53,672,459)	(108,340,307)
5. Short-term loans	275,981,990,858	241,163,591,622
(1) Short-term loans	276,941,593,024	241,940,527,461
Allowance for bad debts	(959,602,166)	(776,935,839)
6. Other current assets	410,545,116,659	515,238,583,927
(1) Derivatives	287,345,623,028	430,058,968,149
(2) Prepaid income taxes	123,199,493,631	85,179,615,778
II. Investments	866,951,326,320,264	757,427,460,215,496
1. Long-term financial instruments	-	-
(1) Bank deposits	-	-
2. Long-term investment securities	864,040,582,855,066	753,770,847,908,528
(1) Debt securities	275,340,268,591,433	252,208,056,075,185
a. Government bonds	115,735,330,887,561	111,058,038,437,055
b. Public bonds	527,062,640,592	240,131,592,554
c. Municipal bonds	9,859,463,529,016	10,064,831,494,229
d. Special bonds	49,711,947,922,081	48,619,471,615,629
e. Financial bonds	20,687,283,703,210	18,570,342,146,660
f. Credit financial bonds	7,983,406,726,069	6,336,370,292,538
g. Corporate bonds	22,664,095,303,426	21,185,677,693,847
h. Foreign bonds	48,171,677,879,478	36,133,192,802,673

(In Korean Won)

	2024	2023
Assets		
(2) Equity securities	588,700,314,263,633	501,562,791,833,343
a. Domestic discretionary contract assets	124,603,953,775,201	123,657,716,174,129
b. Foreign discretionary contract assets	264,447,149,892,099	219,574,555,794,697
c. Stocks	4,405,016,196,766	3,729,015,237,049
d. Equity investments	12,698,021,298,244	12,421,502,879,941
e. Beneficiary certificates	5,517,560,181,642	5,466,305,277,520
f. Foreign equity securities	177,028,612,919,681	136,713,696,470,007
3. Long-term loans	2,910,743,465,198	3,656,612,306,968
(1) Long-term loans	2,943,666,083,944	3,691,212,632,312
Allowance for bad debts	(32,922,618,746)	(34,600,325,344)
III. Property, plant and equipment	10,317,231	12,723,106
1. Fixtures, fittings and office equipment, gross	22,589,000	22,589,000
Accumulated depreciation	(12,271,769)	(9,865,894)
IV. Other non-current assets	627,597,268,485	630,618,065,425
1. Long-term other receivables	61,403,955,107	34,248,880,982
(1)Long-term accrued interest income	205,965,984,868	119,036,179,397
Long-term allowance for other accounts receivable	(144,562,029,761)	(84,787,298,415)
2. Other assets	566,193,313,378	596,369,184,443
(1) General business accounting assets	370,700,603,570	401,663,437,772
(2) Welfare business accounting assets	195,492,709,808	194,705,746,671
Total assets	₩ 1,214,428,200,956,406	₩ 1,036,336,298,890,333
Liabilities		
I. Current liabilities	1,540,461,880,167	505,506,144,619
1. Derivatives	1,423,495,876,962	309,091,710,652
2. Other accounts payable	108,196,406,243	190,427,939,536
3. Accrued expenses	8,320,909,562	5,544,936,701
4. Income received in advance	-	4,004,190
5. Withholdings	448,687,400	437,553,540
II. Other non-current liabilities	36,446,005,417	36,160,441,200
1. Security deposits received from NPS	36,446,005,417	36,160,441,200
Total liabilities	1,576,907,885,584	541,666,585,819
Net assets		
I. Basic net assets	335,261,900	335,261,900
II. Reserve and surplus	857,160,912,129,508	802,615,026,974,934
1. Reserve for national pension benefits	485,876,495,334,666	467,842,115,428,726
2. Surplus	371,284,416,794,842	334,772,911,546,208
III. Net asset adjustments	355,690,045,679,414	233,179,270,067,680
1. Accumulated gain on investment securities valuation	355,719,392,400,294	233,190,551,131,028
2. Other changes in net assets	(29,346,720,880)	(11,281,063,348)
Total net assets	1,212,851,293,070,822	1,035,794,632,304,514
Total liabilities and net assets	₩ 1,214,428,200,956,406	₩ 1,036,336,298,890,333

Statements of Financial Operation

For the years ended December 31, 2024 and 2023

(In Korean Won)

	2024	2023
I. Net program cost	₩ 623,949,816,156	₩ 650,616,405,948
1. Program(A): Pension service		
(1) Gross cost	62,346,583,311,061	58,997,126,914,257
(2) Revenue	(61,757,580,186,572)	(58,382,660,701,854)
(3) Net program cost	589,003,124,489	614,466,212,403
2. Program(B): Buildings and Welfare		
(1) Gross cost	62,572,563,161	63,375,647,167
(2) Revenue	(27,625,871,494)	(27,225,453,622)
(3) Net program cost	34,946,691,667	36,150,193,545
II. Management and operating expense	54,955,461,542	57,169,720,391
1. Transfers for management and operating	54,955,461,542	57,169,720,391
III. Non-allocated expenses	10,854,285,596,063	11,152,472,311,439
1. Commission expense	31,763,068,358	23,758,481,594
2. Bad debt expense	61,343,816,375	38,494,807,442
3. Loss on valuations	1,423,998,180,592	309,984,375,487
(1) Loss on derivative valuation	1,423,495,876,962	309,091,710,652
(2) Loss on foreign currency translation	502,303,630	892,664,835
4. Loss on disposition of assets	3,659,096,838,815	5,569,244,311,264
(1) Loss on disposition of short-term investment securities	2,329,673,924,930	2,497,409,050,716
(2) Loss on disposition of long-term investment securities	1,329,422,913,885	3,071,835,260,548
5. Assets impairment loss	-	-
6. Taxes and dues	166,631,521,205	138,577,423,786
7. Depreciation expense	2,405,875	2,405,875
8. Other expenses	5,511,449,764,843	5,072,410,505,991
(1) Loss on foreign currency transactions	2,199,518,574,042	2,348,879,592,553
(2) Loss on derivative transactions	3,193,324,810,324	2,615,609,171,528
(3) Miscellaneous	118,606,380,477	107,921,741,910
IV. Non-allocated revenues	48,033,582,122,395	35,337,203,834,129
1. Interest income	10,956,763,361,859	9,681,159,096,922
(1) Interest income on financial instruments	817,360,441,522	744,498,386,830
(2) Interest income on bonds	9,777,351,502,173	8,548,010,732,781
(3) Interest income on loans	362,051,418,164	388,649,977,311
2. Gain on valuations	297,740,272,759	436,041,897,778
(1) Gain on derivative valuation	287,345,623,028	430,058,968,149
(2) Gain on foreign currency translation	10,394,649,731	5,982,929,629
3. Gain on disposition of assets	21,230,675,507,260	12,083,475,676,141
(1) Gain on disposition of short-term investment securities	9,977,201,168,610	5,949,893,374,595
(2) Gain on disposition of long-term investment securities	11,253,474,338,650	6,133,582,301,546

(In Korean Won)

	2024	2023
(2) Gain on disposition of long-term investment securities	11,253,474,338,650	6,133,582,301,546
4. Other income	15,548,402,980,517	13,136,527,163,288
(1) Dividend income	9,502,363,862,610	7,905,111,434,542
(2) Gain on foreign currency transactions	2,167,918,709,037	2,208,569,576,462
(3) Gain on derivative transactions	3,769,469,370,548	2,909,199,042,692
(4) Reversal of allowance for doubtful accounts	3,116,128,651	2,638,785,983
(5) Reversal of impairment loss on assets	-	16,666,665,600
(6) Miscellaneous income	105,534,909,671	94,341,658,009
V. Net operating cost	(36,500,391,248,634)	(23,476,470,396,351)
VI. Non-exchange revenue	11,114,000,000	10,525,000,000
1. Other financing and transfers	11,114,000,000	10,525,000,000
VII. Net operating results	₩ (36,511,505,248,634)	₩ (23,487,470,396,351)

Statements of Changes in Net Assets

For the years ended December 31, 2024 and 2023

(In Korean Won)

	Basic Net Assets	Reserve and Surplus	Net asset Adjustments	Total Net Assets
Prior Year				
I.Net assets at January 1, 2023	₩ 335,261,900	₩ 759,798,002,780,633	₩ 130,667,374,166,449	₩ 890,465,712,208,982
1. Reported amount	335,261,900	₩ 759,798,002,780,633	₩ 130,667,374,166,449	₩ 890,465,712,208,982
II. Operating results	-	(23,487,470,396,351)	-	(23,487,470,396,351)
III. Adjustments	-	19,329,553,797,950	102,511,895,901,231	121,841,449,699,181
1. Gain(loss) on investment securities valuation	-	-	102,525,464,366,473	102,525,464,366,473
2. Other increase in net assets	-	19,329,553,797,950	(13,568,465,242)	19,315,985,332,708
IV. Net assets at December 31, 2023	₩ 335,261,900	₩ 802,615,026,974,934	₩ 233,179,270,067,680	₩ 1,035,794,632,304,514
Current Year				
I. Net assets at January 1, 2024	₩ 335,261,900	₩ 802,615,026,974,934	₩ 233,179,270,067,680	₩ 1,035,794,632,304,514
1. Reported amount	335,261,900	₩ 802,615,026,974,934	₩ 233,179,270,067,680	₩ 1,035,794,632,304,514
II. Operating results	-	(36,511,505,248,634)	-	(36,511,505,248,634)
III. Adjustments	-	18,034,379,905,940	122,510,775,611,734	140,545,155,517,674
1. Gain on investment securities valuation	-	-	122,528,841,269,266	122,528,841,269,266
2. Other increase(decrease) in net assets	-	18,034,379,905,940	(18,065,657,532)	18,016,314,248,408
IV. Net assets at December 31, 2024	₩ 335,261,900	₩ 857,160,912,129,508	₩ 355,690,045,679,414	₩ 1,212,851,293,070,822

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The National Pension Fund has adopted National Accounting Standards abiding by the Article 11, Clause 1 of the National Accounting Act, effective from 2009, and detailed accounting standards approved by the National Accounting Act Business Accounting Deliberation Council (BADC) in the preparation of its financial statements.

(1) Basis of Financial Statement Presentation

The NPF maintains its official accounting records in Korean Won and prepares financial statements in Korean language which is in conformity with National Accounting Standards. The accompanying financial statements have been translated into English from Korean language financial statements. Certain accounting principles applied by the NPF that conform with National Accounting Standards in the Republic of Korea may not conform to those standards used in other countries. Accordingly, these financial statements are intended for those who understand National Accounting Standards of Republic of Korea.

(2) Pension Contributions and Disbursements

Pension contributions are recognized as their revenue that is based on the amount deposited into the National Pension Fund Account in the Bank of Korea as of the balance sheet date. The fund is transferring out as Pension Benefit Transfer-Out fund to general business accounting fund for paying out pension benefit. The difference between pension contributions and pension benefit transfer-out is accrued as an expense item in the Statements of Financial Operations and is reflected as net assets in the Statements of Financial Positions.

For the period from the introduction of National Pension Scheme which was January 1, 1988 to December 31, 2024, the total billed pension contributions were KRW 863,265,928 million. Of this contributions, KRW 857,406,073 million was collected and KRW 5,859,855 million (0.7%) was not collected as of December 31, 2024. The uncollected amount was not recognized as revenue. The accumulated billed pension contributions for workplace based insured persons are KRW 743,291,688 million and the accumulated uncollected amount is KRW 2,137,014 million (0.3%). The accumulated billed pension contributions for individually regional based insured persons are KRW 119,974,241 million and the accumulated uncollected amount is KRW 3,722,841 million (3.1%).

If the uncollected amount had been recognized as receivable by billing basis, the effect of such recognition should be as follows; Total assets in the statement of financial position (accumulated uncollected amount less the estimated bad debt amount) and net assets (Pension benefit reserve) would be increased. There would have been no effect on the result of financial operation since the total revenue (earnings from uncollected amount in the current period) and gross cost (pension benefit reserve transfers, etc.) in the Statements of Financial Operation would be increased in the same amount.

(3) Cash and Cash Equivalents

Cash and cash equivalents include currencies, substitute securities of currencies including checks issued by others, savings and checking accounts, and securities and financial instruments with high liquidity that can be converted into cash without serious costs and interest rate risk and of which maturities are three month or less at the time of purchase.

(4) Long-Term and Short-Term Financial Instruments

The NPF recognizes time deposits, time installment deposits, structured products owned by the NPF for short-term funding purpose, and products with a maturity of less than one year as shortterm financial instruments. The rest of financial instruments besides cash and cash equivalents and short-term financial instruments are classified as long-term financial instruments.

(5) Securities

Based on the maturity, securities are categorized into short-term and long-term securities. The shortterm securities include debt and equity securities with a maturity of less than one year, or expected to be disposed within a year as of balance sheet date. The long-term securities include such securities with a maturity of more than one year, or expected to be disposed in more than a year as of balance sheet date.

The historical costs of securities are the sum of market value and incidental expenses at acquisition of the investment securities. In the investment securities, the NPF uses moving average method to calculate the historical costs for equity securities, including stocks and equity investment, while using specific identification of cost method for debt securities. When historical costs of debt securities differ from face value, the effective interest rate method is applied to amortize the difference over the remaining term of the securities.

Both for long-term and short-term investment securities, the fair value available to measure at the balance sheet date is used to evaluate the securities. The difference between the book value and fair value of the securities is appeared as a reconciliation item in the statement of changes in net assets.

For equity securities, market price is considered as fair value and is the closing price at the balance sheet date. For debt securities with unavailable market quotations, an average debt value determined by independent credit rating agencies authorized as debt evaluation agencies is used to determine fair value.

The fair value of beneficiary certificates, including discretionary contract assets, is their trading price presented by fund managers. The fair value of non-marketable securities included into underlying investment assets is calculated by using rational evaluation model and estimated value suggested by outside professional evaluation agencies.

For equity securities with unavailable market quotations, fair values are evaluated by external indpendent valuation companies applying reasonable valuation models and estimates. For foreign equity investments, net asset values provided by external asset management companies are used to estimate fair values. However, loans, BTL/BTO and SOC investments of which investment amount are less than KRW 10,000 million, and investments in individual companies (projects) and real estates of which investment period is less than one year at balance sheet dates are not subject to such fair value evaluation.

When recoverable value of securities decreases below the book value and the decrease stays significantly long to recover, the NPF recognizes the difference between recoverable and book value as impairment losses in net operating cost.

(6) Allowance for Bad Debts

The NPF provides allowance in accordance with estimate amount of loss from short- term and longterm loans and advance payments based on rational and specific method. Abiding by its guidelines for asset quality classification, the loans are classified into five levels in consideration with the borrowers' credit risk ratings, "normal," "precautionary," "substandard," " doubtful," and "estimated loss,". The minimum loan loss rates according to the guidelines for loans range from 0.5% (0.2 % for loans guaranteed by Korean government, local government or government invested organizations) for normal, 2.0% for precautionary, 20% for substandard, 50% for doubtful and 100 % for estimated loss.

(7) Derivatives

The NPF evaluates rights and responsibilities according to contracts for derivative instrument and sums them as assets and liabilities in the financial statements. The gain/loss created by the contracts reflects as a part of net operating cost when they occur. The derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability is attributable to gain/loss on valuation of derivatives in the statements of changes in net assets.

(8) Provisions, Contingent Liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities which are not recognized as liabilities because they are either possible obligations, as it has yet to be confirmed whether the entity has a present obligation that could lead to an outflow of resources embodying economic benefits or present obligations that do not meet the recognition criteria in this Standard (because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made) is disclosed in the notes.and 100 % for estimated loss.

(9) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment are depreciated on a straight-line basis over estimated useful lives. The estimated useful lives of the NPF's property, plant and equipment are as follows:

	Estimated useful lives
Fixtures, fittings and office equipment	8~11years

(10) Foreign Currency Translation

The NPF converts foreign currency-denominated monetary assets and liabilities into Korean won based on basic rates announced by Seoul Money Brokerage Service at balance sheet dates. Foreign currency translation gains/loss reflects into the calculation of net operating cost. For foreign currency-denominated investment securities, the difference between fair value, which is the amount in KRW translated at reporting period, and book value is presented as a part of adjustments in the net asset statements. The Korean won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate of KRW 1,470.00 to USD 1.00 on December 31, 2024, as announced by Seoul Money Brokerage Service.

(11) Transactions with General Business Accounting and Welfare Business Accounting

The NPF appropriates the amount transferred to purchase assets for general businesses for "general business accounting assets" in the statement of financial position, while the amount transferred to operate welfare businesses for "welfare business accounting assets." In addition, the amount transferred to general business accounting to pay pension benefits and spend for operation of the NPF is all reflected on the statements of financial operations as Pension Benefit and management and operating expense.

The NPF recognizes the changes in net asset values due to the net income (loss) of general or welfare business accountings as general/welfare business gain/loss in the statements of financial operations.

2 | Disclosures

Article 25, the Guideline for the Management of National Pension Fund
(Information Disclosure and External Relations)

Frequency	Information subject to Disclosure
Monthly	• Revenues, expenses, and assets under management • Portfolio performance and return by asset class
Quarterly	• List of equities held in bulk • Fixed income investment status by bond type • List of external managers and partner securities firms
Yearly	• Statements of financial position and financial operation • Investment portfolio by asset class - Equity by sector - Alternatives by sub-type - Global investments by geography - Externally managed securities funds • Investment holdings by asset class - Domestic and global equity holdings by security - Domestic fixed income holdings by issuer - Global fixed income holdings by security - Alternatives holdings (e.g. type, amount, name) and alternative investment statistics • Responsible Investment Status - Policies, plans, organizations, and activities regarding responsible investment - Criteria on ESG incorporation - Scope of asset class considering responsible investment (direct and external and investment scale - Responsible investment status (by security among 'investment holdings by asset class' herein) - Criteria and status of the selection of external managers related to responsible investment, and criteria on performance assessment
Occasionally	• FMC meeting results • Guideline for the Management of National Pension Fund and fund management plans • Regulation on the Management of National Pension Fund and Standards of the Selection of External Managers and Partner Securities Firms • Voting activities and reasons for votes against (excluding reasons for votes against when external managers decide voting directions) • Other matters deemed necessary to be publicly disclosed in relation to fund management decisions

3 | FMC Meetings

Session (Date)	No.	Agenda	Result
1st (Feb. 28)	1	2023 National Pension Fund settlement (Proposal)	Resolved
	2	Amendments to the Regulation on the Operation of the National Pension Fund Management Committee (Proposal)	
	3	2023 6th FMC meeting minutes (Summary)	Reported
	4	Report on 2024 active risk allocation result by asset class	
	5	Progress status of Strategic Asset Allocation	
	6	National Pension Fund performance for 2023	
2nd (Mar. 28)	1	Amendments to the Guideline for Stewardship Activities for National Pension Fund (Proposal) * Amendments to detailed guidelines for voting on companies in the domestic equity portfolio in relation to board gender diversity	Resolved
	2	Measures to enhance loans programs (Silver Loan) * Change in interest rate criteria, expansion of application scope, measures to preserve claims	
	3	2024 1st meeting minutes (Summary)	Reported
	4	Interim report on a plan to introduce the Reference Portfolio <Confidential>	
	5	National Pension Fund performance as of Jan. 31, 2024	
3rd (May 2)	1	Plan to introduce the Reference Portfolio <Confidential> * Including amendments to the Guideline for the Management of National Pension Fund (Proposal)	1st Proposal Resolved
	2	2024 2nd meeting minutes (Summary)	Reported
	3	Progress status of the establishment of 2025-2029 Mid-term Asset Allocation (Proposal) <Confidential>	
	4	2023 FMC Activity Report	
	5	National Pension Fund performance as of Feb. 29, 2024	
4th (May 31)	1	2025-2029 Mid-term Asset Allocation (Proposal) <Confidential>	Original Proposal Resolved
	2	2025 National Pension Fund Management Plan (Proposal)	
	3	2024 3rd meeting minutes (Summary)	Reported
	4	National Pension Fund performance as of Mar. 31, 2024	
5th (Jul. 2)	1	2023 Fund Management Performance Assessment (Proposal)	Original Proposal Resolved
	2	2023 NPSIM Performance Incentives Provision Ratio (Proposal)	
	3	Adjustment of target range of externally managed global equities (Proposal)	
	4	2024 4th meeting minutes (Summary)	Reported
	5	Plan to adopt dialogues with companies in the global equity portfolio (Interim report) <Confidential>	
	6	Progress status of the establishment of San Francisco Office and its investment plan	
	7	National Pension Fund performance as of Apr. 30, 2024	

Session (Date)	No.	Agenda	Result
6th (Sept. 24)	1	Plan to adopt dialogues with companies in the global equity portfolio	Original Proposal Resolved
	2	2024 5th meeting minutes (Summary)	Reported
	3	National Pension Fund performance as of Jul. 31, 2024	
7th (Nov. 22)	1	Amendments to 2024 National Pension Fund Management Plan (Proposal) <Confidential>	Original Proposal Resolved
	2	2024 6th meeting minutes (Summary)	Reported
	3	Interim report on investment strategy of energy transition in coal-related companies (Proposal) <Confidential>	
	4	Interim report on amendments to performance assessment and compensation framework resulting from the introduction of Reference Portfolio (Proposal) <Confidential>	
	5	Impact of Korea's WGBI inclusion on the domestic fixed income portfolio	
	6	National Pension Fund performance as of Sept. 31, 2024	
8th (Dec. 19)	1	Extension of temporary strategic FX hedge ratio adjustment period (Proposal) <Confidential>	Original Proposal Resolved
	2	Investment strategy of energy transition in coal-related companies (Proposal)	
	3	Amendments to performance assessment and compensation framework resulting from the introduction of Reference Portfolio (Proposal)	
	4	Plan to set target excess return and target required return resulting from amendments to performance assessment and compensation framework	① 1st Proposal Resolved ② Original Proposal Resolved
	5	2024 7th meeting minutes (Summary)	Reported
	6	National Pension Fund performance as of Oct. 31, 2024	

4 | External Managers Selection Criteria

The NPS harnesses external managers to enhance returns and diversify risks by using their expertise. External managers are selected and managed in a transparent and impartial manner pursuant to applicable regulations as follows:

Article 32, Regulation on the Management of National Pension Fund (Selection of External Managers)

01

(1) When selecting external managers, the following shall be considered:

1. Management stability;
2. Investment performance;
3. Investment strategies and processes ;
4. Investment organizational structure and workforce;
5. Risk management systems;
6. Other matters necessary for the selection of external managers.

02

(2) External managers shall be selected in a way that falls under any of the following sub-paragraphs: Provided, That if the Alternative Investment Committee selects a counterparty on particular assets under Article 8 (2) 1 when making or changing decisions on such investment, it deems that the counterparty is selected as external manager:

1. Contest selection: a way to assess multiple external manager candidates concurrently at a certain period according to pre-determined screening criteria;
2. Single-source selection: a way to assess a single external manager candidate in consideration of the attributes of alternative and global investments;
3. Other assessments: a way deemed necessary by the National Pension Fund Management Committee to raise the Fund under Article 74 (3) 11 of the Enforcement Decree of the Act, or a way defined in the Guideline for the Management of National Pension Fund or Fund Management Plan.

03

(3) The external manager selection process shall include:

1. Preliminary screening;
2. Proposal screening;
3. Verbal presentation;
4. Final selection.

04

(4) Other specific matters necessary for the external manager selection process, etc. shall be prescribed by the Enforcement Rule.

* External Managers Selection Criteria for each asset class are available on the NPSIM website (fund.nps.or.kr).

5 | Key Statistics

(1) Fund Management

(KRW 100 million)

	2020	2021	2022	2023	2024
The Fund (market value)	8,337,276	9,487,194	8,904,657	10,357,946	12,128,513
Financial Assets	8,331,384	9,481,060	8,898,353	10,351,976	12,122,568
Domestic Equity	1,766,957	1,658,077	1,253,730	1,480,418	1,397,221
Domestic Fixed Income	3,260,993	3,399,907	3,111,856	3,260,233	3,442,906
Global Equity	1,927,517	2,566,248	2,408,940	3,203,611	4,309,968
Global Fixed Income	448,827	638,963	632,882	736,726	882,927
Alternatives	906,596	1,193,054	1,462,322	1,642,044	2,068,842
Short-term Assets	20,493	24,811	20,171	24,798	34,743
Welfare Sector	1,800	2,005	2,036	2,024	2,051
Others	4,092	4,128	4,267	3,946	3,895

Note: Financial assets include tactical FX exposures.

(2) Revenues, Expenses, AUM

(KRW 100 million)

	2020	2021	2022	2023	2024
The Fund (market price)	6,493,363	7,110,127	7,581,487	8,005,690	8,554,902
Revenues	8,841,382	9,756,896	10,576,464	11,399,399	12,393,996
Contributions	6,276,336	6,811,739	7,370,879	7,954,577	8,571,969
Investment Income	2,557,805	2,937,800	3,198,349	3,437,272	3,814,566
Government Subsidies, etc.	7,241	7,357	7,237	7,550	7,461
Expenses	2,348,019	2,646,770	2,994,978	3,393,709	3,839,093
Pension Benefits	2,254,185	2,545,552	2,885,753	3,276,155	3,713,204
General & Administrative Expenses	93,834	101,217	109,224	117,554	125,890

(3) Number of Contributors and Beneficiaries

(person)

	2020	2021	2022	2023	2024
Contributors	22,107,028	22,347,586	22,497,819	22,384,787	21,984,003
Workplace-based Insured	14,320,025	14,580,825	14,785,761	14,812,062	14,675,745
Individually Insured	6,898,118	6,827,009	6,845,744	6,714,114	6,513,108
Voluntarily Insured, etc.	888,885	939,752	866,314	858,611	795,150
Beneficiaries	5,588,154	6,070,124	6,642,643	6,822,178	7,372,039
Old-Age Pension	4,468,126	4,894,452	5,396,729	5,543,769	6,015,091
Disability Pension	78,079	77,726	76,718	75,616	76,865
Survivor's Pension	841,817	892,195	951,470	1,007,167	1,063,301
Lump-sum Refund	200,132	205,751	217,726	195,626	216,782

This report is published to provide information on the status of the management and investment of the National Pension Fund, as well as its performance. Please be aware that some information may differ depending on the search date, and additional verification may be required due to the lack of detailed explanations in this report. This report presents the results of the 2024 performance assessment for the Fund, approved by the National Pension Fund Management Committee. More details are available on the websites of the Ministry of Health and Welfare at www.mohw.go.kr and NPSIM at fund.nps.or.kr. The original report was drafted in Korean. This document is an English translation of the original. In case of any discrepancies between the English and the Korean text, the Korean text will prevail.

* The investment performance for a fiscal year is finalized upon the approval of the National Pension Fund Management Committee in early July of the following year pursuant to the National Pension Act.

NPS National Pension Service

2024 National Pension Fund Report

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