

2020 Annual Report

KIC

Investing for
**a Sustainable
Future**

KIC Korea Investment
Corporation

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About the Annual Report :

This annual report was created as an interactive PDF file and website that allow for easy navigating.





Since its establishment in 2005 as the sovereign wealth fund of Korea, the Korea Investment Corporation (KIC) has been growing national wealth and supporting the development of the domestic finance industry.

With sophisticated investment strategies and an extensive global network, KIC has consistently achieved stable results and earned the public's trust.

In 2020, which marked our 15th anniversary, we achieved steady growth despite the financial market volatility brought on by the Covid-19 pandemic.

Going forward, KIC will remain committed to a principle of long-term, diversified investing, pursue higher returns and strive to become a leading sovereign wealth fund.

Investment Highlights

Reached
USD 183.1 billion
(KRW 200 trillion)
in net asset value
15 years since establishment
*As of the end of Dec. 2020

Began investing in
global fixed income

USD **1** billion

Assets managed
USD **10** billion

Assets managed
USD **50** billion

2005 2006 2007 2008 2009 2010 2011 2012

1.0

15.5

21.6

29.6

36.9

42.9

56.6



Assets managed
USD **100** billion

Assets managed
USD **150** billion

Assets managed
USD **183.1** billion

2013

2014

2015

2016

2017

2018

2019

2020

Investment Highlights

USD **71.0** billion
(KRW 77.2 trillion)
in accumulated gains

USD **21.8** billion
(KRW 23.7 trillion)
annual investment
gains in 2020

14.62%

Return on traditional
assets in 2020



19.16%

Equities



9.88%

Fixed income

2020

5 years

13.71%

Return on
total assets in 2020

8.96%

Annualized return
for the past 5 years

7.70%

Annualized return since
inception for alternative
assets



9.27%

Private equity



7.25%

Real estate &
infrastructure



5.16%

Hedge funds

Message from the CEO



“ In 2020, KIC achieved exceptional performance amid a global pandemic. We will continue to achieve record results through investing with agility and flexibility. ”

Dear Readers,

2020 was a milestone year for KIC marking the 15th anniversary of our founding. So before we turn the page and start looking back, I'd like to begin by saying thank you.

Your support has enabled KIC to grow and fulfill our mission to increase Korea's national wealth and help advance the domestic finance industry.

Now, onto 2020 – and the global economic challenges brought by the Covid-19 pandemic. Lockdowns worldwide led to a recession worse than what we saw in the global financial crisis of 2007-2008 and that was, in fact, the worst recession since the Great Depression.

Governments and central banks responded with aggressive monetary and fiscal policies to increase liquidity on a massive scale. This stabilized financial markets and led to sharp increases in stock and bond prices.

In this fast-changing macro- and financial-market environment, KIC responded by strengthening our management strategies – namely, through expanding our active asset allocation strategy and long-term concentrated investment strategy. This approach worked.

In a year of unprecedented uncertainty, we were able to achieve exceptional performance. We earned USD 21.8 billion in gains, which made for a 13.7% return on total assets and a relative return of +144 bps for traditional assets. We now manage total assets of USD 183.1 billion (approximately KRW 200 trillion), which is almost twice what it was five years ago.

Now, it's time to look ahead. While central bank and government policies last year aimed at overcoming the global health crisis, this year the focus will be on revitalizing policies for economic recovery.

In the second half of 2021, the global economy is expected to recover to pre-pandemic levels, though the situation will vary by region. But upside and downside risks remain. Inflationary pressures, global debt stress and geopolitical tensions are among the risks that can increase volatility in the global economy.

In this environment, KIC's plan is to closely monitor market conditions and always be ready to respond.

Our priority is to be agile and flexible in a fast-changing market and in this “new normal” investment environment that has come to feel more normal post-Covid.

We will strengthen our optimized equity and fixed-income strategies and look for opportunities to invest in promising alternative assets, which will only make us better investors across asset classes.

We will shift our investment strategy to focus more on technologies and venture capital through our new San Francisco office, which we opened in 2021.

As a global investor and sovereign fund representing Korea, we will also respond to the global call for sustainability. Responsible investments are no longer an option, but a requisite, so we will continue being proactive about making a difference. We will also work with global investors to tackle issues including climate change while protecting the value of our investments.

Lastly, we are dedicated to partnering with Korea's finance industry in every way we can – whether it's through offering domestic investors opportunities to participate in KIC's overseas investments and become more globally competitive, sharing joint investment opportunities or providing investment information.

In other words, despite the unknowns ahead, we will embrace challenges and strive to innovate. Because as the physical chemist and Nobel laureate Ilya Prigogine said, “The future is uncertain... but this uncertainty is at the very heart of human creativity.”

Thank you.



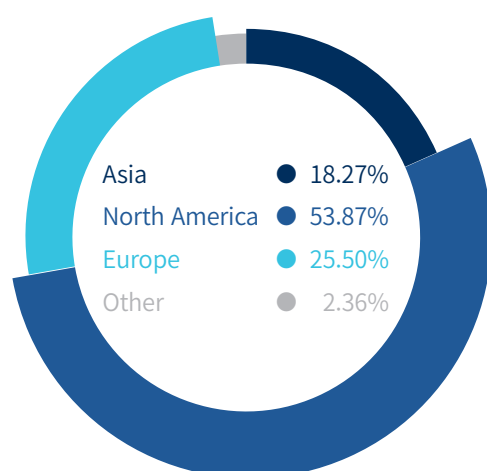
Seoung-ho Jin
Chairman of the Board & CEO
Korea Investment Corporation

Global Reach

KIC invests in **68** countries,
40 currencies, **3,235** equities,
7,725 fixed-income instruments and **369** funds.

Investments by region

(as of the end of December 2020, based on the market value of traditional assets)



List of invested countries (as of the end of December 2020)

Equity & fixed-income investments

Australia, Austria, Belgium, Brazil, Canada, Cayman Islands, Chile, China, Colombia, Czech Republic, Denmark, Egypt, England, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Kuwait, Malaysia, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Qatar, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, UAE and USA

Equity investments

Argentina and Pakistan

Fixed-income investments

Bermuda, British Virgin Islands, Bulgaria, Croatia, Cyprus, Estonia, Guernsey, Iceland, Kazakhstan, Latvia, Lithuania, Luxembourg, Macau, Panama, Romania, Slovakia, Slovenia and Uruguay



● **KIC's Employees**

(as of early June 2021, excl. executives)

* The San Francisco office is currently hiring.

Investment Overview

First entrusted with USD 1 billion in 2006, KIC has consistently expanded its operating scale through stable and capable management.

Our assets under management at the end of 2020 totaled USD 183.1 billion on the back of excellent investment performance, marking a 16% increase from 2019.

Following a principle of diversification, KIC manages a portfolio that is 84.7% traditional assets and 15.3%

alternative assets, including private equity, real estate, infrastructure and hedge funds.

Our alternative assets, which have a low correlation with traditional assets and tend to pursue relatively higher returns, grew to USD 27.9 billion in 2020, or 14% (USD 3.4 billion) year-on-year. The proportion of our alternative assets, however, decreased slightly to 15.3% at the end of 2020 from 15.6% the previous year due to high returns on traditional assets (14.6%) last year.

Asset allocation (2020)

(USD billion, %)

		NAV	Weight**
Traditional assets	Equities	78.2	42.7
	Fixed Income	64.5	35.2
	Other*	12.5	6.8
	Subtotal	155.2	84.7
Alternative assets	Private equity	11.8	6.5
	Real estate & infrastructure	10.2	5.6
	Hedge funds	5.1	2.8
	Cash equivalents	0.8	0.4
	Subtotal	27.9	15.3
Total	183.1	100.0	

* "Other" refers to inflation-linked bonds, cash, hybrid securities, etc.

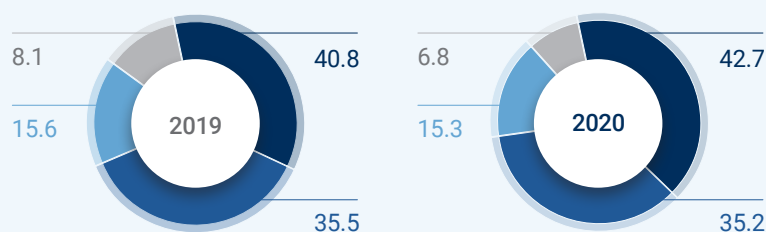
** NAV basis

Asset allocation compared to the previous year

(%)

■ Equity ■ Fixed income
■ Alternative assets ■ Other

KIC manages USD 27.9 billion in alternative assets, which reflects a 14% (USD 3.4 billion) year-on-year increase. But the proportion of alternative assets in our portfolio decreased slightly due to high returns (14.6%) in 2020 on traditional assets, including equities.



In early 2020, countries worldwide began going into lockdown due to the spread of Covid-19, which triggered a global economic slowdown and sent the prices of high-risk assets plummeting. Despite a grim financial market outlook, a rapid economic recovery followed due to measures by the U.S. Federal Reserve and European Central Bank to slash policy interest rates and buy up assets to increase liquidity and give market participants a way to secure credit. Combined with large-scale fiscal policies by major governments and speedy progress in vaccine development, these measures drove asset prices past pre-pandemic levels to all-time highs.

Stock prices on the MSCI World Index rose 14.3% and indices in major regions excluding Europe also closed higher than they did at the beginning of the year. Bond prices on the Bloomberg Barclays Global Aggregate Bond Index rose 9.2% due to lower base rates and increased asset purchases.

Through proactively responding to changes in the financial environment and using our global investment and crisis management capabilities, KIC achieved a high return of 13.71%, or USD 21.8 billion in gains, in 2020. Our five-year annualized return was 8.96% and our annualized return since inception, 5.22%.

Assets under management by year

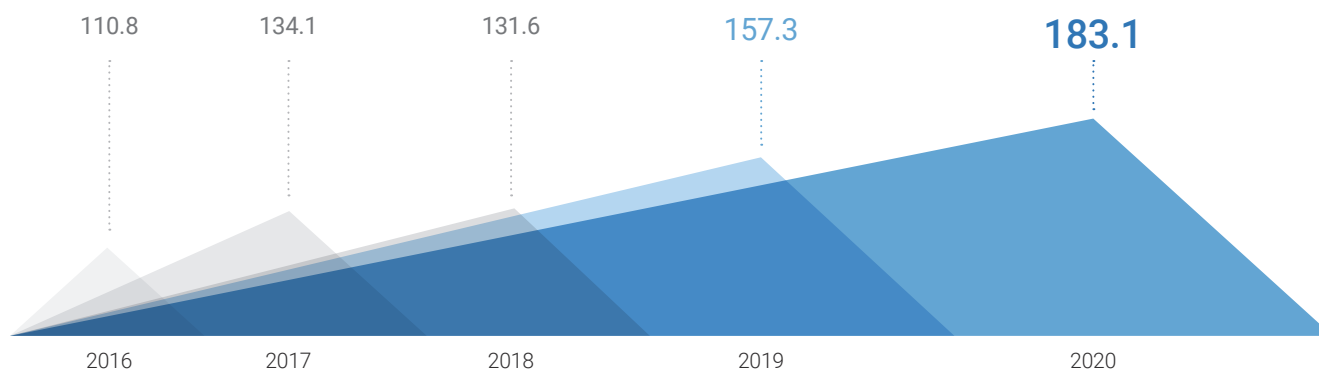
(USD billion)

	2016	2017	2018	2019	2020
Annual investments*	106.8	115.8	136.7	137.1	161.3
NAV	110.8	134.1	131.6	157.3	183.1
Cumulative gains and losses	15.8	34.1	29.0	49.2	71.0

* Sum of NAV at the end of the previous year and investments in 2020

Net asset value (NAV)

(USD billion)



Return on total assets

KIC's return on assets in 2020 stood at 13.71%, with a five-year annualized return of 8.96% and an annualized return since inception of 5.22%.

(%)

	2016	2017	2018	2019	2020
Return on total assets (before fees)	4.35	16.42	-3.66	15.39	13.71
Return on total assets (after fees)	4.21	16.26	-3.80	15.21	13.52
Annualized return since inception	3.34	4.45	3.76	4.60	5.22

Return on traditional assets

The return on traditional assets in 2020 was 14.62%, +144 bps compared to the benchmark.

(%)

		2016	2017	2018	2019	2020	Annualized return for the past five years ('16-'20)	Annualized return since inception
Total	Return	3.96	16.71	-5.64	16.62	14.62	8.88	5.60
	Excess return	-95	129	-81	33	144	19	26
Equities	Return	5.85	25.50	-9.55	27.52	19.16	12.79	5.58
	Excess return	-232	122	-71	6	261	7	5
Fixed income	Return	1.46	8.00	-1.32	7.53	9.88	5.02	4.38
	Excess return	29	72	-13	73	78	46	32

Return on alternative assets

Annualized return since inception: 7.70%

(%)

	Inception	Annualized return since inception
Private equity	2009. 09. 16	9.27
Real estate & infrastructure	2010. 03. 15	7.25
Hedge funds	2010. 01. 29	5.16
Alternative asset total*		7.70

* Total includes commodities (categorized as traditional assets since April 2011)

Benchmarks for each asset class

Asset class	Type	Benchmark
Traditional assets	Equities	Morgan Stanley Capital International All Country World Index ex Korea (unhedged)
	Fixed income	Bloomberg Barclays Global Aggregate Index ex KRW ex Korea (unhedged)
	Inflation-linked bonds	Bloomberg Barclays Global Inflation-linked Bond Index
	Cash	ICE BofA Merrill Lynch 3-Month US Treasury Bill
Alternative assets	Private equity	Morgan Stanley Capital International All Country World Index ex Korea (unhedged) + 2%, 3 months lagged
	Real estate & infrastructure	G7 inflation rate + 4%, 3 months lagged
	Hedge funds	BofA Merrill Lynch 3-Month US Treasury Bill + 3.5%, 1 month lagged

Vision & Mission

VISION

To grow sovereign wealth as a leading institutional investor you can trust

MISSION

To support the development of the domestic finance industry by efficiently managing national assets



OBJECTIVE

To manage assets entrusted by the Korean government, Bank of Korea and public funds and contribute to the development of the domestic finance industry
(Korea Investment Corporation Act, Article 1)

STRATEGY

Increase long-term returns

- Stronger asset allocation and investment capabilities
- Responsible investing
- Preemptive risk management system

Engage in responsible management

- Better organizational and performance management
- Enhanced internal controls and transparent management

Support the domestic finance industry

- Overseas investment leadership
- Cooperation with domestic finance industry

Our Future

Talent

Respecting individual talent and expertise

We respect the expertise of our employees, who come from diverse backgrounds, through talent-focused management.

Unity

Unified through a healthy corporate culture

We strive for unity through a corporate culture of mutual trust and respect.

Tomorrow

Preparing for Korea's future

We prepare for Korea's economic future through increasing sovereign wealth.

TRUST

Renovation

Embracing innovation and change

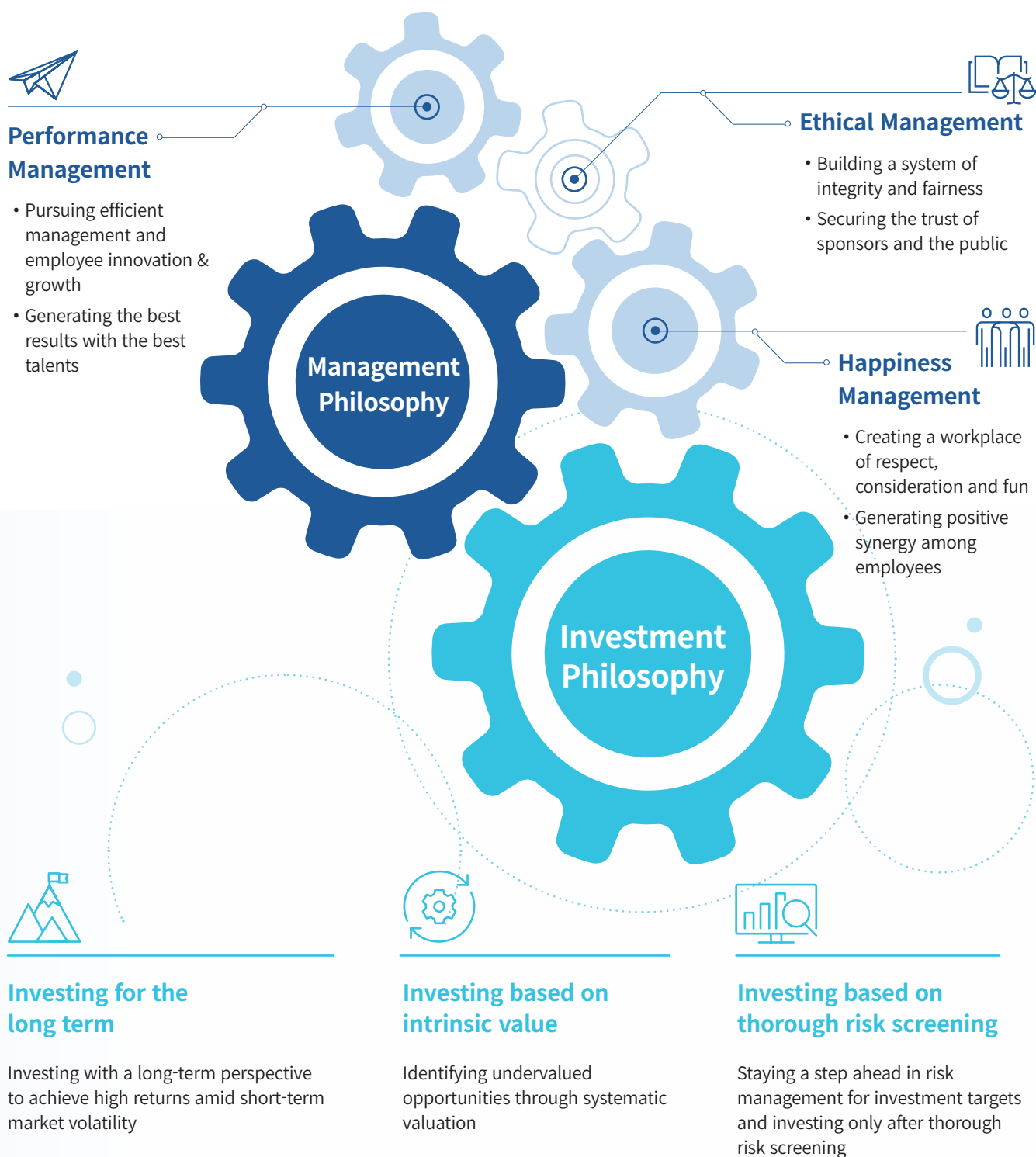
We seek continuous growth through ongoing innovation and change.

Standard

Setting global SWF standards

We aim to set the standard for investment expertise and returns for sovereign wealth funds globally.

Management Philosophy & Investment Philosophy



INVESTMENT REVIEW

KIC generates high returns on a long-term horizon through thorough risk management and sophisticated investment capabilities.



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Investment Policy & Process

KIC's investment policy and process focus on improving long-term returns through stable asset management.

Investment Objective

KIC's investment objective is to generate consistent and stable investment returns within appropriate risk limits to preserve and increase the value of Korea's sovereign wealth.

Investment Principles

Based on principles of prudent and responsible investing, KIC diversifies investments across asset classes and regions, ensuring that overall portfolio risk remains within appropriate levels to increase returns in a sustainable manner.

Asset Classes

KIC invests in traditional and alternative assets. Traditional assets include listed or highly liquid financial assets such as equities and fixed-income investments. Alternative assets, which can capture risk premiums associated with illiquid investments, include private equity, real estate, infrastructure and hedge funds.

Investment Guidelines

The investment guidelines provided by our sponsors stipulate the objectives, benchmarks, risk tolerance limits and other key guidelines for mandated investments and serve as the basis for all investments, risk management and performance assessments at KIC. KIC has also established internal investment guidelines for all asset classes, including equity, fixed income and each fund type.

Asset Allocation

KIC establishes investment targets based on the nature and objective of assets and is strengthening the role and function of asset allocation based on the financial market environment, characteristics of each asset class and investment horizon. We hold an asset allocation forum every quarter to integrate the top-down and bottom-up views from various investment departments and formulate a house view to ensure a reliable asset allocation process.

KIC's asset allocation system consists of strategic asset allocation, strategic tilting and tactical asset allocation, which are implemented according to investment horizon and role.

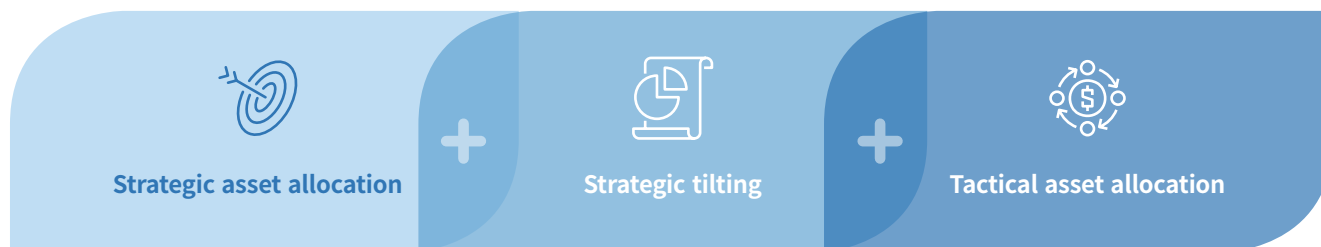
Strategic asset allocation defines the role and function of each asset class and sets the policy portfolio based on expected returns and risks on a long-term horizon. Strategic tilting aims to increase returns by adjusting asset allocation against the policy portfolio on a mid-term horizon. Tactical asset allocation pursues excess returns through using alpha strategies and managing risks via various hedging strategies in the event of short-term market volatility.

Direct and Indirect Asset Management

KIC manages traditional assets directly by trading in financial markets and indirectly through external managers.

For direct investments, we pursue stable returns with relatively low risk and marginal excess returns compared to the benchmark. For indirect investments, we use a more active investment strategy that pursues high excess returns with relatively greater risk.

KIC's Asset Allocation System



Risk Management

KIC minimizes unnecessary risk and controls downside risk through preemptive and systematic risk management.

Risk limits are set in accordance with risk management policies approved by the Steering Committee. Risk limit compliance is monitored on a regular basis.

Investment Process

KIC's investment process is focused on improving long-term investment returns based on stable asset management.

Investment-Related Committees

The following investment-related committees at KIC ensure prudent and responsible investment decision-making.

Investment Committee

- **Role:** Deliberates and decides on investments
- **Composition:** CEO (Chair), Chief Investment Officer, Chief Risk Officer, Chief Operating Officer, Head of the Investment Strategy Division and Head of the Alternative Investment Division

Investment Working Committee

- **Role:** Comprehensively review expected investment returns and risks
- **Composition:** Chief Investment Officer (Chair) and the heads of the investment and risk management departments

Risk Management Working Committee

- **Role:** Review and assess issues related to risk management
- **Composition:** Chief Risk Officer (Chair) and the heads of the investment and risk management departments

Investment Process



Traditional Investments

Traditional investments, which include equities, fixed income and asset allocation, comprise a major part of KIC’s portfolio.

Traditional investments, including equities and fixed income, account for 84.7% of KIC’s total portfolio, playing a central role in our pursuit of investment targets.

We started with fixed-income investments in 2006 and expanded our asset classes to include equities, inflation-linked bonds and more. The annualized return for KIC’s traditional investments as of 2020 was 5.6%.

As the scope and scale of our investments grew, so did the need to adjust our asset class weights and to pursue companywide risk management. We started an asset allocation forum in 2019 in which KIC’s investment managers can engage in in-depth discussions, with forum results being reflected in KIC’s decision-making process.

While each investment group aims to generate excess returns through using various strategies, the Asset Allocation Team analyzes capital market expectations for each asset class based on financial market forecasts and sets optimum allocations based on companywide risk levels, contributing to the achievement of KIC’s absolute return targets.

Through these functions, KIC maximizes the effectiveness of investment diversification and maintains portfolio-wide risk at appropriate levels, which helps generate returns in a sustainable manner.

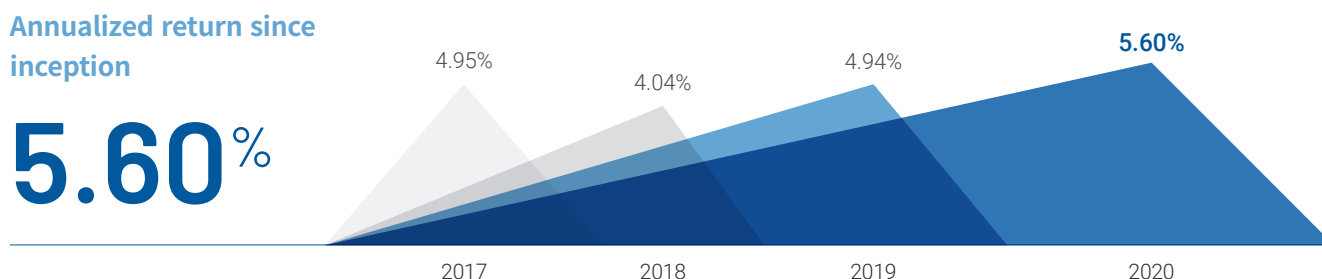
Macroeconomic Analysis

KIC conducts multi-faceted global macroeconomic research for effective asset allocation, using the findings to determine short-term market responses and to construct mid- and long-term portfolios. We are laying the groundwork to better respond to changes in the investment environment in consideration of the economic structures and political/social issues of major countries.

We also actively communicate with investment managers worldwide to share and verify investment ideas and global economic and market forecasts, using what we know and learn to best build our investment portfolio and improve returns.

Annualized return since inception

5.60%



Equities

KIC pursues excess returns by investing in publicly listed companies worldwide that are undervalued relative to their long-term intrinsic value. Our goal is to consistently achieve excess returns in accordance with investment guidelines.

KIC's fundamental strategy for direct investments in global equities aims to generate excess returns by analyzing the intrinsic value of companies and industries. In 2020, we extensively applied the Global Core Strategy adopted in 2019, which yielded excellent returns. We also expanded our region-specific portfolios with the expertise of equity investment managers at our New York and London offices.

For our externally managed equity portfolio, KIC uses strategy diversification to enhance performance and respond to market dynamics. We aim to strengthen portfolio management in a balanced manner and work closely with our New York and London offices to discover new strategies. As a long-term investor, we also strive to better apply environmental, social and governance (ESG) criteria to our investments.

For quantitative investments, our long-term goal is to develop KIC's direct investment capabilities. We have built a global portfolio management and trading system through benchmarking advanced systems overseas. After starting with a passive strategy in 2008, we adopted a quantitative alpha (excess return) model through which investment decisions are made using algorithms based on mathematical and statistical models. We use an enhanced strategy to improve cost efficiency and returns.

KIC also uses an independently developed management platform for quant investments to respond to a global investment environment that is rapidly changing due to technological innovations including the diversification of sources for big data and alternative data and advancements in artificial intelligence (AI) and machine learning. With this next-generation quant platform and other investment management strategies, we work to incorporate AI and big data technology into our investment management.





Fixed Income

KIC invests in bonds and currencies from various countries, including sovereign bonds, bonds issued by state-run agencies, corporate bonds and securitized bonds. We manage risk factors in the global fixed-income market, including credit and liquidity risk, and adhere to investment guidelines for optimal portfolio management.

For the directly invested fixed-income portfolio, we use regional and sector-specific expertise derived through collaboration between headquarters and our overseas offices to systemically manage a broad global portfolio, diversify risk and pursue stable excess returns.

In 2020, for the directly invested portfolio, we strengthened our credit analysis and investment capabilities, diversified macro strategies based on mid- and long-term macroeconomic research and policy outlooks and developed sector allocation strategies.

We also diversified our external fixed-income portfolio last year by adding unconstrained strategies to enhance absolute returns. We strategically allocated ex-ante tracking errors between the internal and external portfolios using a proprietary risk monitoring system to achieve higher long-term returns.

Tactical Asset Allocation

KIC has established a tactical asset allocation strategy to improve overall returns and implemented related processes. The strategy entails adjusting the weight of asset classes based on allocation for spot markets, hedging strategies and alpha strategies, thereby managing total return volatility for traditional assets and improving returns.

In 2020, KIC developed quantitative indicators based on both scenario analyses following financial market changes and economic and market data. We also strengthened our internal system for portfolio management and risk analysis.

Alternative Investments

Alternative investments allow for an illiquidity premium, which can help KIC achieve outstanding returns as a long-term investor.

Alternative investments play a critical role in diversifying overall portfolio risk and increasing investment efficiency due to their low correlation with traditional investments. They also allow for an illiquidity premium, helping KIC, as a long-term investor, achieve outstanding returns.

KIC started investing in alternative assets in 2009 with private equity and steadily broadened our investment spectrum to include real estate, infrastructure and hedge funds. The result is a balanced alternative portfolio that can support efficient overall portfolio management through investments diversified by vintage, region and strategy.

To achieve higher returns, we continue to expand our global network of sovereign wealth funds, pension funds and GPs and explore promising investment opportunities, including co-investments. As of the end of December 2020, KIC's annualized investment return since inception for alternative investments was 7.70%.

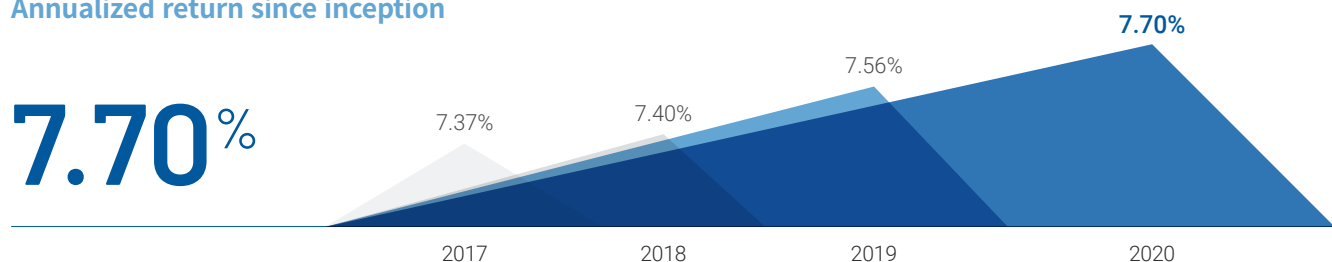
Private Equity

Private equity, categorized as an illiquid, growth-oriented long-term investment within the alternative asset portfolio, is an investment strategy that provides a higher return than other asset groups. KIC established the alternative investment division in 2009 and started investing in private equity funds immediately following the global financial crisis. We began making direct private equity investments in 2010 and co-investments with existing GPs in 2011, diversifying our portfolio by region and strategy.

The first half of 2020 saw a sharp decline in new investments and divestments in the private equity market compared to the previous year due to the Covid-19 pandemic and resulting economic contraction. But the market recovered to 2019 levels thanks to measures by major governments and central banks.

KIC also manages the KIC Venture Growth (KVG) fund to discover promising technology assets amid rapid changes in today's technological paradigm. And to manage the

Annualized return since inception



risk of an increase in the market prices of assets relative to their real value, KIC increased the proportion of private credit and secondary assets. We strive to ensure long-term stable returns by building a diversified portfolio around excellent assets for each region and strategy.

Real Estate

Real estate is one of the main alternative asset classes that can help diversify a portfolio. KIC has been making a diverse range of direct, indirect and co-investments in real estate in North America, Europe and Asia since 2010.

The Covid-19 pandemic in 2020 marked a turning point for the global real estate market, resulting in increased uncertainty and a sharp decline in transactions. By sector, demand for hotel and retail real estate investments plunged due to travel restrictions and social distancing. Investment demand for logistics facilities, which were expected to benefit from the growth in e-commerce and digitization, remained steady.

In this environment, KIC sought investment opportunities in promising real estate assets in major cities and countries, increasing our investments in assets likely to benefit from secular trends and in core assets in major cities that would generate steady cash flows.

Infrastructure

Infrastructure assets generate long-term predictable cash flows by providing services and facilities essential to society and offer protection against inflation through inflation-linked income streams.

Since KIC’s first infrastructure investment in 2010, we have built a portfolio diversified by geography, including North America, Europe and Asia, and invested across a variety of sectors ranging from conventional power, energy & utilities and transport to renewable energy and telecommunication.

With more people working from home and classes moving online in 2020 due to Covid-19, the world saw a



rise in data traffic and demand for telecommunications infrastructure such as fiber networks, data centers and telecom towers. Countries also continued to switch from fossil fuels to eco-friendly energy sources to meet their carbon-reduction targets, which created investment opportunities in related sectors.

In line with these market trends, KIC last year co-invested in telecommunications infrastructure companies in North America and Europe and in a district energy company in Europe. We also invested in the renewable energy sector in emerging markets. We continue to seek stable investment returns by creating a diversified portfolio that reflects such secular trends as increased data traffic, aging populations and a transition to renewable energy.

Hedge Funds

As an asset class that pursues absolute returns, hedge funds offer a wide range of investment strategies and techniques. From a risk-return perspective, they have a relatively low correlation with economic cycles,

traditional assets and other alternative assets, including private equity and real estate.

KIC started investing in hedge funds in 2010. We have gradually developed our portfolio by diversifying investments across multiple hedge fund strategies to achieve stable and long-term returns in a manner complementary to other asset classes.

In 2020, the effectiveness of some strategies, including commodity trading adviser (CTA), declined due to increased market volatility resulting from the pandemic. The gap among hedge fund investment management companies broadened. In response to this polarization, KIC focused on building a foundation to generate stable, long-term returns by reducing the CTA strategy and selecting GPs with custom solution strategies.

In light of rising asset prices, increased volatility in financial markets and changes and trends in the finance sector, KIC will make diverse investments through outstanding GPs to take advantage of such arbitrage opportunities as equity L/S, global macro and event-driven strategies.



Investment Stewardship and Responsible Investment

As a responsible investor, KIC considers environmental, social and governance (ESG) factors in our investment process to generate steady, long-term returns.

We established the KIC Stewardship Principles in 2018 to set goals as we started engaging in active ownership. At the same time, we made strides to elevate our responsible investor status as a sovereign wealth fund, to take part in global capital market trends and to contribute to global sustainability.

In 2019, we committed to strengthening responsible investment policies by revising the KIC Investment Policy. We also established the “Korea Investment Corporation Responsible Investment Guidelines” to actively exercise our shareholder rights, such as proxy voting and shareholder engagement through global stewardship managers.

Going beyond policies, KIC has also been using responsible investment as an investment strategy since April 2019. We have developed our ESG fund management from passive strategies to active and enhanced strategies, to take a more proactive approach. And after participating in the issuance of the Korean government’s green and sustainability bond in 2019, KIC was entrusted with the capital raised and is investing the funds in green and social projects.

We have achieved ESG integration across our asset classes and portfolio, creating a responsible investment system that meets global standards.

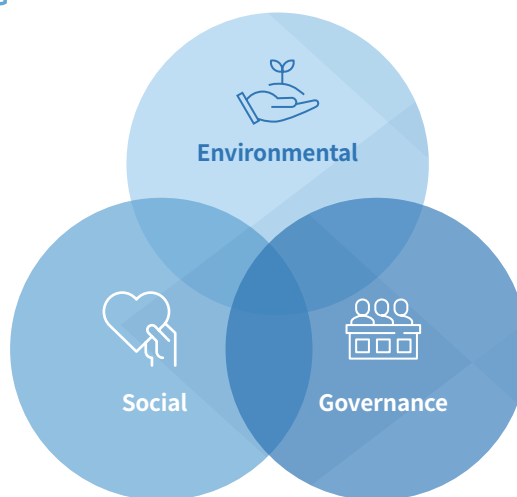
For traditional investments, we maintain a watchlist of companies that have scored low on ESG evaluations, for better performance and risk management. We also

use a system of assigning bonus points for responsible investment; 31 managers have been evaluated with this system.

For alternative investments, we conduct ESG reviews and evaluate GPs with our ESG Questionnaire.

We also actively consider ESG factors in managing our general equity and fixed-income portfolio. We are investing in green, social and sustainable bonds and are adopting ESG data in quant strategies for excess returns.

ESG





KIC engages with institutional investors at home and abroad with regard to responsible investment. We have joined the International Corporate Governance Network (ICGN), a global membership organization of leaders in corporate governance, and have been building a network with global institutional investors for responsible investment.

Last year, KIC gained the distinction of becoming the first public institutional investor in Korea to publish a Sustainable Investment Report. We also joined the One Planet Sovereign Wealth Funds (OPSWF) and became Korea's first public investor to declare its support for the Task Force on Climate-related Financial Disclosures (TCFD).

KIC also hosted its second ESG Day in 2020 to encourage ESG information exchange among domestic institutional investors and communication on responsible investments. We presented on our responsible investment policy and measures to increase responsible investment returns. We also led discussions on how domestic institutional investors can apply ESG measures.

Going forward, we will continue to strengthen our ESG analysis and responsible investing capabilities and apply them to our entire investment process and portfolio as we strive to increase returns, have a positive impact on the environment and promote sustainability.

Stewardship Principles

Principle 1

Establish and publicly disclose our principles on investment stewardship and how we will fulfill our stewardship responsibilities

Principle 2

Have a robust internal approach for managing conflicts of interest that may arise in our stewardship activities

Principle 3

Regularly monitor portfolio companies to preserve and enhance value over the medium to long-term

Principle 4

Develop a process for engaging with investee companies, where necessary, on key matters relevant to the delivery of medium- to long-term value creation and preservation

Principle 5

Establish a voting policy and procedures for exercising shareholder rights in a manner aligned with the creation and preservation of investor value

Principle 6

Report periodically on stewardship activities

Principle 7

Commit to appropriate training, development, resourcing and collaboration for good investment stewardship

Risk Management

KIC controls investment losses and minimizes unnecessary risk through preemptive and systematic risk management.

KIC aims to control investment risk within certain limits and appropriately manage potential losses. We have established a risk management system that provides comprehensive control solutions for managing risk at every step, for not only the front, middle and back offices, but also corporate management.

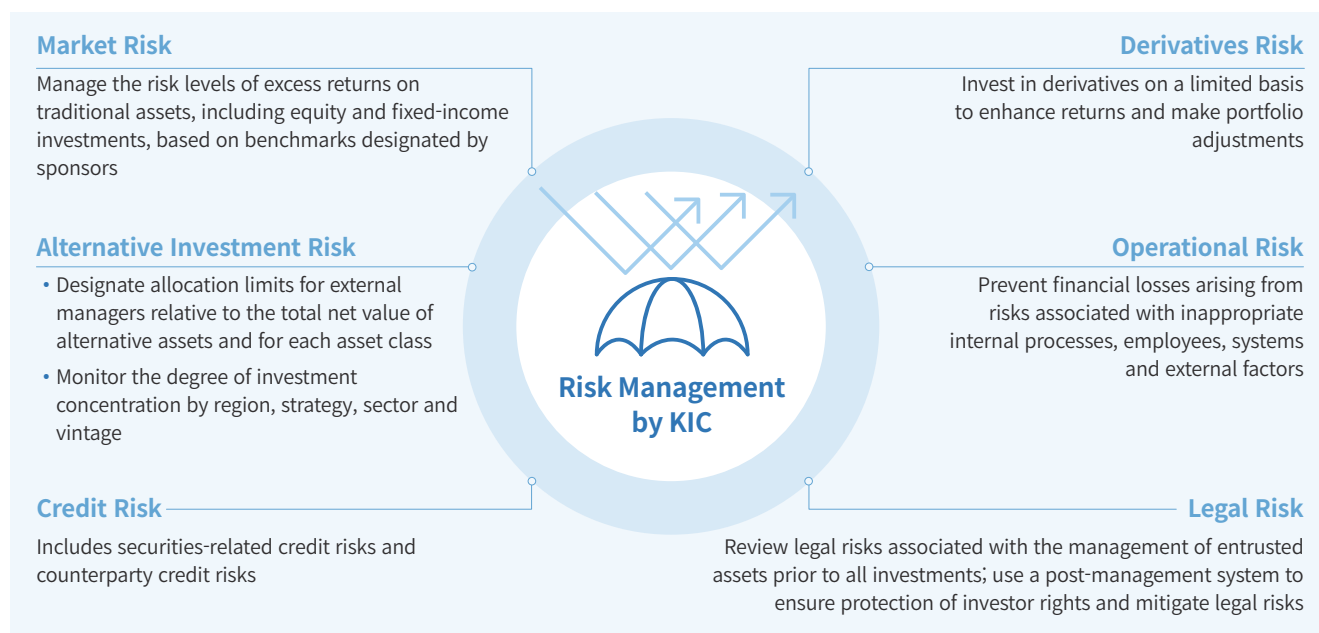
The Steering Committee reviews and deliberates on risk management policy while the Board of Directors (BOD) allocates risk limits and risk management guidelines.

The Risk Management Subcommittee (under the Steering Committee) and the Risk Management Working Committee (under the BOD) arrange detailed risk management guidelines via in-depth discussions.

The Risk Management Division is strictly separated from the Investment Management Division to ensure the independence and autonomy of the risk assessment and investment monitoring processes.

KIC manages market risk, credit risk, derivatives risk, operational risk and legal risk. We adopt quantitative indicators and limits to measure each type of risk and assess and monitor each risk indicator during the investment process. When key risks exceed limits, the Risk Management Working Committee examines the issue and discusses possible solutions.

To supplement quantitative analyses, we also perform various types of qualitative analyses.



Market Risk

For traditional assets including equities and fixed income, KIC manages the risk levels of excess returns based on benchmarks designated by our sponsors. Public market risk is defined as the volatility of excess returns against the benchmark, and we measure, monitor and set limits using ex-ante tracking error (T/E). In 2020, the ex-ante T/E (minimum - maximum) for KIC's total portfolio was 30-61 bps and managed within limits. The tracking error for equity was within 54-111 bps and for fixed income, 31-54 bps. A key source of alpha generation, these tracking errors are effectively allocated and managed across investment strategies.

We also use a variety of tools and approaches to prepare for multiple investment risks. Value at Risk (VaR) estimates portfolio volatility in accordance with asset management goals for absolute returns in asset allocation. We also measure and monitor indicators such as conditional VaR (or expected shortfalls) and use stress tests that incorporate not only historical scenarios, but also hypothetical scenarios including uncertainties in the interest rate policies of major countries and Covid-19-related economic outlooks to estimate investment losses from multiple perspectives.

To supplement the quantitative models, we backtest the effectiveness of various risk models, designate investment-eligible products in advance and manage weights for each asset class, country, currency and sector, the allocation limits for external managers and duration limits. We also analyze the portfolio establishment scheme and risk management status of major global institutional investors and meet with them in an ongoing effort to improve our risk management system.

Lastly, we closely monitor financial market trends by reviewing key market risk factors and analyzing their implications from a risk management vantage point.

We also constantly monitor individual fund returns. If a fund underperforms the benchmark by a certain degree, we review the underlying reasons and prepare solutions. For traditional investments, we restrict investments in countries and products with significant liquidity constraints and regularly monitor portfolio transaction liquidity.

Alternative Investment Risk

The Risk Management Team designates allocation limits for external managers relative to the total net value of our alternative assets and for each asset class. For diversification purposes, the team also monitors the degree of concentration by region, strategy, sector and vintage. In 2020, to achieve a stable alternative investment portfolio, we managed concentration risk by reducing the maximum amount of alternative investments entrusted to each GP. Of course, we review risk factors for each investment plan prior to making any investment-related decisions. For direct investments or projects with significant risk, the Risk Management Team participates in on-site due diligence with the front office and conducts a prior and independent assessment of risk factors.

Post-investment, the Risk Management Team operates an early-warning system that monitors potential issues related to investment projects by classifying them according to profit and loss levels. Our team has also adopted and integrated a Public Market Equivalent analysis, analyses of alternative investment market indices, relative performance comparisons by vintage year and quantitative model analyses for the alternative investment portfolio using private market risk factors.

Credit Risk

KIC classifies credit risks into securities-related credit risks and counterparty credit risks. To manage credit risks from securities, we designate the lowest grade eligible for investments based on credit ratings by Moody's, S&P and Fitch Ratings, and set investment ceilings by issuers of corporate credit.

We manage counterparty risks by setting a minimum credit rating, selecting and managing appropriate counterparties and designating exposure limits based on credit ratings. We have also established an internal counterparty assessment system that uses such factors as counterparty credit ratings and various types of credit risk information and have regularly monitored counterparty risks. In 2020, we strengthened our management process for counterparties by analyzing their transaction data and excluding those that did not meet our internal evaluation standards.

Derivatives Risk

Derivatives are invested on a limited basis to enhance returns and make portfolio adjustments. To prevent excessive leverage transactions, we manage risks by designating investment-eligible derivative products and assigning position limits. For derivative financial products used in various investment strategies, we work to effectively integrate and monitor investment data by checking each counterparty's transaction and exposure management status.

Operational Risk

Operational risk management aims to prevent KIC from incurring financial losses arising from risks associated with inappropriate internal processes, employees, systems and external factors. KIC has developed and conducts employee self-check surveys to better control operational risk.

In terms of organizational structure, we have separated the front, middle and back offices to maintain an effective system of checks and balances. Operational processes for the settlement of accounts and accounting related to the management of entrusted assets, as well as our

IT systems, are designed to ensure effective operational risk control. The Chief Compliance Officer oversees all matters related to operational risk management activities independently, to protect the interests of sponsors and prevent financial mishaps.

Legal Risk

To prevent and manage legal risks, we review investment agreements, investment structures and potential issues prior to all investments. We also use a post-management system to ensure our investor interests and rights. For our alternative investment portfolio, which we seek to further diversify, we conduct legal reviews in consideration of the characteristics of each asset class. We also analyze domestic and foreign laws and amendments for pending issues to mitigate legal risks from various angles. Recognizing the growing importance of preventing and responding to legal risks, we have expanded our pool of legal experts, provided staff with additional training and seminars and, in 2020, exchanged information with related agencies virtually due to the limitations imposed by Covid-19. We are also working more with domestic law firms to contribute to the development of Korea's finance industry.



KISAM

KIC has been building advanced investment support systems, including an integrated investment system, to grow its competitive edge.

KISAM

Over the past couple years, KIC has built a next-generation investment system called KIC's Integrated Solution for Asset Management (KISAM) to prepare for broader uses of investment data, less reliance on external vendor systems, automated straight-through processing (STP) and growth in assets under management. We started using KISAM in January of 2021.

KISAM ensures transparent investment processes through the digitization of tasks including order placements, transactions, matching and payments. It also provides highly reliable data through the internalization of fund accounting based on verified data, which helps us make investment decisions. It comes with an extensive database built with high-quality data from information providers worldwide and improves work processes and efficiency by promptly providing users with the information and functions they need.

Front Office

KIC has also created an automated investment management platform for all front office processes, ranging from sales to payments, that links the order execution system for global financial products (stocks, bonds, derivatives, etc.) with overseas exchanges through the Financial Information Exchange Protocol (FIX).

Middle Office

KIC conducts performance analysis and swift risk management using portfolio data generated from internal databases.

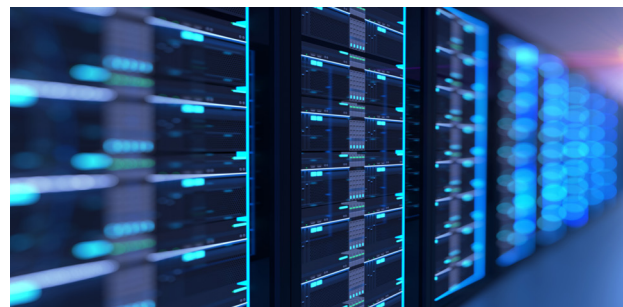
Back Office

We handle transaction management and fund accounting processes with an internal system, boosting the use of investment data and creating a reliable asset management support system. We also use the Society for Worldwide Interbank Financial Telecommunications (SWIFT) system to efficiently monitor the investments of our external asset management firms.



Data Management

KIC has accumulated data on more than 50,000 global financial products to upgrade its asset management capacity. The data are stored and managed for future use, to boost operational efficiency.



Securities Lending

KIC started its securities lending operations in May of 2007. We lend securities to institutions with high credit ratings through external agents, adjusting our securities lending program according to our assets and the market situation.

Cash collateral received through securities lending is managed independently, in compliance with KIC's investment guidelines, and invested in assets with high liquidity and stability.



OUR CONTRIBUTIONS

KIC helps drive progress in the domestic asset management sector, globalize the domestic finance industry and grow Korea as a financial hub.



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Support for the Domestic Finance Industry

KIC helps boost the competitiveness of Korea's finance industry by sharing our global investment knowhow with the domestic financial market.

Public Community for Overseas Investment (PCOI)

KIC started the Public Community for Overseas Investment (PCOI) in April of 2014 to bolster the overseas investment capability of the Korean public sector. Through this platform, we share information and best practices with domestic public institutions, including pension funds, mutual aid associations and other national institutions.

In 2020, KIC hosted three virtual meetings of PCOI to discuss global financial market forecasts, efficient asset allocation strategies, an absolute return strategy using foreign fixed-income securities, post-COVID-19 infrastructure investment strategies, private equity investment cases and more. Meeting participants also exchanged opinions on other issues of mutual interest. The PCOI has 25 members, including KIC, which will continue to support member organizations.

Highlights of the Public Community for Overseas Investment in 2020



February 28
2020 financial market outlook and asset allocation strategy

November 30
Introduction to an absolute return strategy that involves foreign fixed-income securities and to post-COVID-19 infrastructure investment strategies and trends

December 29
Review of global equity investment management and sharing of private equity investment cases

Members of the Public Community for Overseas Investment



* As of the end of December 2020

International Financial Cooperation Council (IFCC)

KIC holds meetings of the International Financial Cooperation Council (IFCC), which is made up of public and private Korean investment institutions, in New York, London and Singapore, where our overseas offices are located. The goal is to share investment information, build networks with leading global investment firms, gain a balanced perspective on financial issues and pursue mutual development.

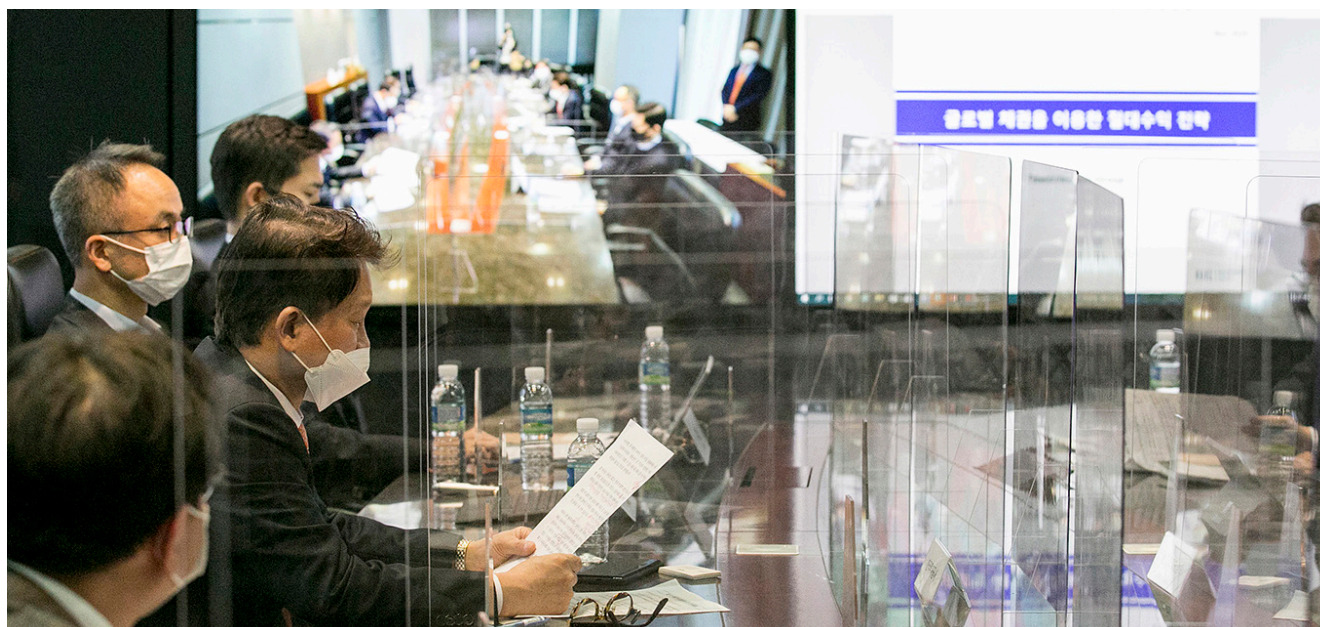
IFCC New York was started in November 2017, IFCC London in February 2018 and IFCC Singapore in August 2019. IFCC New York meets monthly while the councils in London and Singapore meet quarterly.

For each meeting, KIC’s overseas offices invite local experts from asset management firms and investment banks to present and share views on the global economy and local finance industry.

Through the IFCC, KIC aims to promote information sharing, seek co-investment opportunities and make inroads into local markets with leading investors.

IFCC Members

Overseas offices	Participating members
New York 36 members	Korea Investment Corporation, Consulate General of the Republic of Korea in New York, National Pension Service, Korea Center for International Finance, Financial Supervisory Service, The Export-Import Bank of Korea, Bank of Korea, Korea Development Bank, Korea Post, Korea Electric Power Corporation, Korea Trade-Investment Promotion Agency, Korea Trade Insurance Corporation, KB Kookmin Bank, Industrial Bank of Korea, Nonghyup Bank, Shinhan Bank, Shinhan Bank America, Woori Bank, Woori America Bank, KEB Hana Bank, Hanmi Bank, Mirae Asset Daewoo Securities, Samsung Securities, KB Securities, Korea Investment & Securities, NH Investment & Securities, Shinhan Investment Corp., Samsung Asset Management, Mirae Asset Global Investments, Hanwha Asset Management, Samsung Life Insurance, Kyobo Life Insurance, Korean Reinsurance Company, Hyundai Marine & Fire Insurance, DB Insurance and Seoul Guarantee Insurance Company
London 23 members	Korea Investment Corporation, Embassy of the Republic of Korea in the United Kingdom of Great Britain and Northern Ireland, National Pension Service, Financial Supervisory Service, The Export-Import Bank of Korea, Bank of Korea, Korea Development Bank, KB Kookmin Bank, Industrial Bank of Korea, Shinhan Bank, Woori Bank, KEB Hana Bank, Mirae Asset Daewoo Securities, Samsung Securities, Korea Investment & Securities, NH Investment & Securities, Kyobo Life Insurance, Samsung Fire & Marine Insurance, Shinhan Life Insurance, Korean Reinsurance Company, Hyundai Marine & Fire Insurance, DB Insurance and Samsung Asset Management
Singapore 16 members	Korea Investment Corporation, Embassy of the Republic of Korea to the Republic of Singapore, National Pension Service, Stock Exchange, Korea Development Bank, Shinhan Bank, Woori Bank, KEB Hana Bank, Mirae Asset Daewoo Securities, Korea Investment & Securities, Korean Reinsurance Company, Midas Asset Management, Korea Investment Management, Hanwha Asset Management, KB Asset Management and NH Asset Management



Global Network

KIC is sharpening its competitive edge by building strong partnerships with major sovereign wealth funds, pension funds and other global financial institutions.

KIC continues to build a broad and tightknit network with sovereign wealth funds, pension funds and other financial institutions around the world. This network is at the heart of our ability to garner valuable investment information, access promising investment opportunities and secure an advantage in investment negotiations.

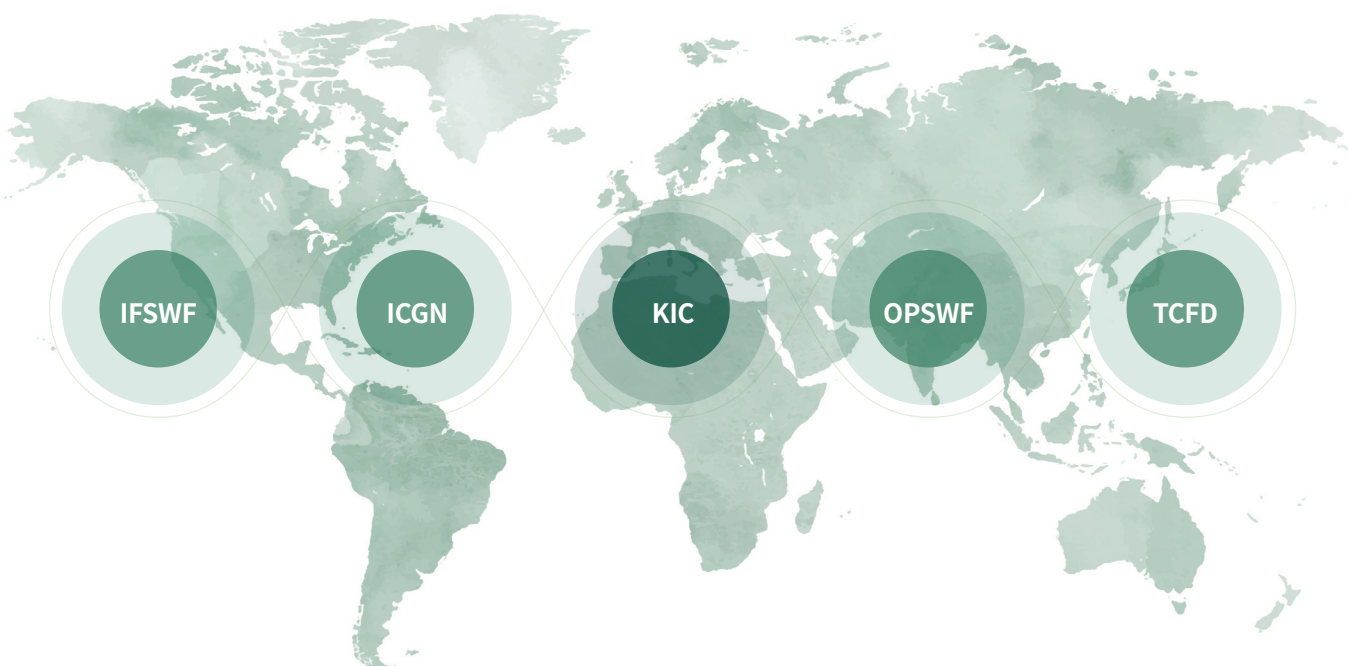
Global Network with Sovereign Wealth Funds, Public Funds and Other Investors

KIC is expanding its international network to strengthen collaborations with global sovereign wealth funds. It has signed MOUs for cooperation with multiple funds since 2009 to share investment information and engage in other types of exchange.

International Forum of Sovereign Wealth Funds (IFSWF)

The International Forum of Sovereign Wealth Funds (IFSWF) is an organization of sovereign wealth funds that helps its more than 30 members implement the Santiago Principles, which are 24 Generally Accepted Principles and Practices for sovereign wealth funds. The organization also conducts research, represents its members' views to the broader community and brings members together to share insights and information. Events include the IFSWF Annual Meeting, which was held virtually in November of 2020.

KIC has been an active member of the IFSWF since the group's inception in 2009. We are committed to adhering to the Santiago Principles.





International Corporate Governance Network (ICGN)

Established in 1995 as an investor-led organization, the International Corporate Governance Network's mission is to promote effective standards of corporate governance and investor stewardship to advance efficient markets and sustainable economies worldwide. The policy positions of ICGN, guided by the ICGN Global Governance Principles and Global Stewardship Principles, are the standard for corporate governance and stewardship codes for global companies and investors.

KIC became the first Korean investor to join ICGN in 2017 and endorse its global stewardship principles. As a global investor, KIC exercises active ownership and strives to expand responsible investments in adherence to our Stewardship Principles. Through ICGN, we also collaborate with more than 320 institutional investors from 45 countries.

One Planet Sovereign Wealth Funds (OPSWF)

In 2020, KIC joined the One Planet Sovereign Wealth Funds (OPSWF), a 14-member platform established in 2017 that aims to accelerate efforts to integrate climate

change-related financial risks and opportunities in long-term asset management.

KIC's new membership was announced at the 3rd annual One Planet Sovereign Wealth Funds Summit, which we joined virtually in November and which was chaired by French President Emmanuel Macron.

As an OPSWF member, KIC aims to participate more actively in climate change discussions and better manage investment returns through best practices.

Task Force on Climate-related Financial Disclosures (TCFD)

KIC also last year became Korea's first public institutional investor to support the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD is a set of global guidelines recommending the disclosure of climate-related financial information. It was established by the Financial Stability Board in 2015.

During the 2020 OPSWF Summit, KIC joined other One Planet members in making statements of support for driving TCFD recommendations as a global reporting standard.

Social Contributions

KIC strives for a future where everyone can be happy.

KIC carries out a wide range of social contribution activities to give back to the community, fulfill our responsibilities as a public institution and help create a better world for future generations.

Since 2018, we have engaged in systematic and effective volunteer work in four categories: emergency relief support, human resource development, future building and talent sharing. Our Social Contribution Committee meets quarterly to approve plans that align with KIC's mission.



Emergency relief support

In 2020, KIC focused on helping vulnerable groups hit hard by Covid-19. In collaboration with the Korean Open Doctors Society, we delivered relief supplies, food, hygiene products and medical supplies to residents of slums, low-income seniors, the homeless and single parents at shelters.

We also provided food and hygiene products quarterly to households of people with disabilities via the Seongbuk Welfare Center, offered nutritious holiday meals to low-income seniors at the Seoul Senior Welfare Center, provided hygiene products and other supplies to pediatric cancer patients in connection with the Korea Pediatric Cancer Foundation and donated electronic devices for children at shelters and orphanages, for use in online classes.

In addition to raising funds for Covid-19 emergency relief, KIC took part in various campaigns to help floriculture farms and small- and medium-sized enterprises struggling due to the pandemic. The goods purchased were then donated to seniors living alone and other vulnerable groups.

We also continued our usual financial aid programs to support vulnerable and marginalized groups, including patients with rare and intractable diseases and children with cancer. For the second year in a row, KIC provided children from shelters, orphanages and low-income families with financial assistance that can give them financial security until they become self-reliant and start working. We also financially assisted single-parent households.

KIC provided seasonal support as well. In the summer of 2020, following heavy floods in Korea, we donated funds to help victims and recovery efforts. In the winter, we donated clothes and shoes to a homeless support center. We designed and donated T-shirts for child climate refugees through the Hope T Campaign, supervised by Hope Bridge. At the end of the year, we assembled solar-powered lanterns for children in underprivileged, energy-scarce countries through the Lighting Children Campaign, which is overseen by the Miral Welfare Foundation.



“Boxes of love” created for children with cancer, including leukemia

Human resource development

KIC offers scholarships to college students from orphanages and households experiencing financial difficulty through the Korea Student Aid Foundation (KOSAF). We also provide tuition for children from multicultural or single-parent households in the Seoul Capital Area, donate books to children's centers in island and mountainous areas and support programs that help children enjoy reading. KIC is dedicated to helping children and youth overcome challenges and pursue their dreams with confidence.

Future building

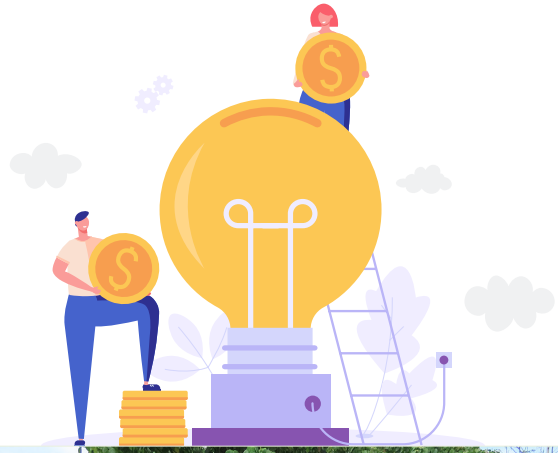
As an overseas investor, KIC works to build a strong foundation for global cooperation through sponsoring underprivileged children in Asia, Africa and South America in connection with Good Neighbors and funding overseas relief and development programs. Of course, in the cities where KIC has overseas offices, our staff engages in volunteer work and donations in their communities as well.

We also sponsor organizations that serve the public interest so they can continue to better our world.

Talent sharing

The KIC staff supports the development of the domestic finance industry by sharing insights and expertise on external review and assessment committees, panels and in conferences and seminars.

We are committed to fulfilling our social responsibility as a public institution through systematic social contributions.



Sharing solar photovoltaic lanterns as part of the Lighting Children Campaign



Sharing computers



Donating relief and medical supplies (Korean Open Doctors Society)

Emergency relief support



Helping vulnerable groups, including children in shelters/orphanages, low-income families, people with disabilities, seniors living alone, children with rare diseases or cancer and single-parent households, gain self-reliance and stability through donations, sponsorships, volunteer activities and disaster relief

Human resource development



Giving hope to future generations by sponsoring college students from low-income households, providing tuition for children from multicultural or single-parent households and donating books to facilities in island and mountainous areas

KIC Social Contribution Areas

Future building



Sponsoring overseas programs for children and relief/development, participating in local volunteer programs and sponsoring organizations and programs serving the public interest

Talent sharing



Contributing to the advancement of the domestic finance industry by sharing insights and expertise through external committees, events, etc.



Flower bucket challenge



Donating books (Incheon Ganghwa Hope Support Center for Children)

GOVERNANCE & ORGANIZATION

Pursuing sustainable growth
through ongoing change and innovation

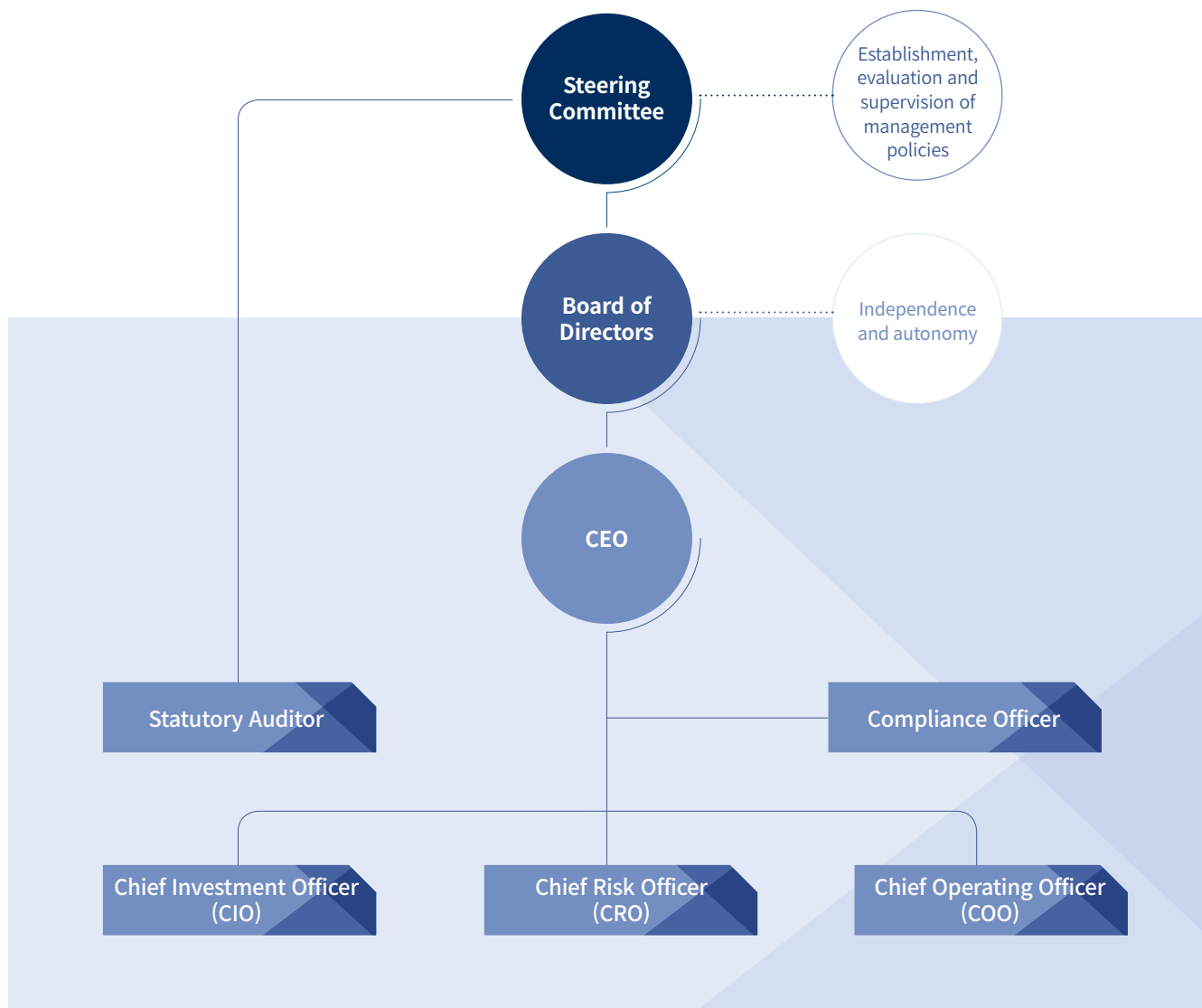
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Governance

Governance Assuring Autonomy & Investment Independence

The Korea Investment Corporation Act stipulates that KIC shall have a corporate governance structure that ensures investment independence and operational autonomy from the government and its sponsors (Articles 24, 35, Korea Investment Corporation Act).

KIC's Governance Structure





Steering Committee

The Steering Committee deliberates on and resolves the following matters: revision of regulations, mid- and long-term investment policies, management and operational policies, changes to financial status, entrustment of assets to KIC, appointment and dismissal of executives, approval of budgets and financial results, evaluation of management performance and inspections and audits of KIC’s business (Article 9, Korea Investment Corporation Act).

Under the Steering Committee are various subcommittees and ad-hoc subcommittees. The standing subcommittees consist of the Investment Subcommittee, which reviews issues related to investment policies, and the Risk Management and Audit Subcommittee, which reviews risk management policies and the adequacy of risk management, and periodically manages and monitors KIC’s operations.

The ad-hoc subcommittees deliberate on matters delegated to them by the Steering Committee and conduct investigations and produce reports to assist the decision-making activities of the Steering Committee. They include the Evaluation Remuneration Subcommittee, which reviews KIC’s management performance evaluation, and the Budget Subcommittee, which reviews budgets and the settlement of accounts.

Board of Directors

The Board of Directors is composed of the CEO and directors. The Board resolves matters related to the following, in compliance with KIC’s internal regulations: management of the company, management of entrusted assets, risk management, legal affairs and compliance, human resources and accounting.

Chief Executive Officer

Under Article 18 of the Korea Investment Corporation Act, the CEO of KIC is appointed by the President of the Republic of Korea, upon recommendation by the Minister of Economy and Finance, through the President (CEO) Recommendation Committee and deliberation by the Steering Committee. The CEO represents KIC, presides over its business, convenes meetings of the Board of Directors and serves as Chairman of the Board.

Steering Committee

Steering Committee

The Steering Committee comprises six professionals from the private sector and three ex-officio members. The ex-officio members are the Minister of Economy and Finance and the Governor of the Bank of Korea as representatives of institutions that have entrusted KIC with assets exceeding a set amount, and the CEO of KIC. Private sector members are nominated by the Civil Member Candidate Nomination Committee, appointed by the President of the Republic of Korea and serve a two-year term. The chairman of the Steering Committee is elected from among the private sector members.

	Members	Steering Committee	Investment Subcommittee	Risk Management and Audit Subcommittee	Budget Subcommittee	Evaluation Remuneration Subcommittee
Private sector members	① Seokchin Kim	Honorary Professor, Kyungpook National University	Chairman			
	② Dong-Hwan Kim	Senior Research Fellow, Korea Institute of Finance	Member		Chairman	Member
	③ Seok Joong Kim	Advisor, Hyundai Marine & Fire Insurance	Member	Chairman		Member
	④ Youngjae Ryu	CEO, Sustinvest	Member	Member	Chairman	
	⑤ Eunsook Seo	Professor, School of Economics and Finance, Sangmyung University	Member		Member	Chairwoman
	⑥ Moon-Hee Choi	Professor, School of Law, Kangwon National University	Member	Member	Member	
	Ministry of Economy and Finance (Minister)	Member			Member	Member
	Bank of Korea (Governor)	Member			Member	Member
	KIC (CEO)	Member	Member	Member		



*As of May 2021



Private Sector Members



Seokchin Kim / Chairman

Honorary Professor,
Kyungpook National University



Dong-Hwan Kim / Member

Senior Research Fellow,
Korea Institute of Finance



Seok Joong Kim / Member

Advisor,
Hyundai Marine & Fire Insurance



Youngjae Ryu / Member

CEO, Sustinvest



Eunsook Seo / Member

Professor, School of Economics and
Finance, Sangmyung University



Moon-Hee Choi / Member

Professor, School of Law,
Kangwon National University

Executive Management

<p>1 Seoung-ho Jin Chairman & CEO</p>	<ul style="list-style-type: none"> • B.A., Economics, Seoul National University • M.A., Economics, University of Manchester • Ph.D., Economics, University of Manchester 	<ul style="list-style-type: none"> • Head of Planning, Presidential Committee for Balanced National Development • Executive Consultant, Policy Committee, Democratic Party of Korea • Director General, International Economic Affairs, Ministry of Economy and Finance • Director General, International Financial Cooperation, Ministry of Economy and Finance • Director General, International Economic Cooperation Bureau, Ministry of Economy and Finance 	<ul style="list-style-type: none"> • Senior Administrative Officer, Education, Science & Culture, Office of the Chief of Staff to the President • Director, Education and Science Budget, Ministry of Economy and Finance • Director, Value-Added Tax, Ministry of Economy and Finance • Director, International Tax, Ministry of Economy and Finance
<p>2 Jonghoon Yoon Statutory Auditor</p>	<ul style="list-style-type: none"> • B.A., Economics, Yonsei University 	<ul style="list-style-type: none"> • Director of Finance, Hankyoreh Newspaper Company • Head of Audit Committee, Chungcheongnam-do • Permanent Auditor, Hankyoreh Newspaper Company 	<ul style="list-style-type: none"> • Logic Law Firm, Certified Public Accountant • Jong-hoon Yoon Accounting and Tax Office, Certified Public Accountant • KPMG San Tong and Samil PWC
<p>3 Daeyang Park (David Park) Chief Investment Officer</p>	<ul style="list-style-type: none"> • B.A., Finance, Korea University • M.A., Finance, Iowa State University 	<ul style="list-style-type: none"> • Chief Investment Officer, Teachers' Pension • Chief Investment Officer, Allianz Life Insurance • Head of Investment Strategy, MG Korean Federation of Community Credit Cooperatives 	<ul style="list-style-type: none"> • Head of Asset Strategy and Planning, Samsung Asset Management • Samsung Life Insurance <ul style="list-style-type: none"> - Deputy General Manager, Fixed-Income Management - Fund Manager, London Office
<p>4 Changho Yoo Chief Risk Officer</p>	<ul style="list-style-type: none"> • B.A., Economics, Yonsei University • M.A., Economics, University of Washington 	<ul style="list-style-type: none"> • Bank of Korea <ul style="list-style-type: none"> - Head, Jeonbuk Branch Office - General Manager of Foreign Currency Asset Planning, Reserve Management Group - Manager, World Bank (seconded) 	
<p>5 Jihwan Chung Chief Operating Officer</p>	<ul style="list-style-type: none"> • B.S., Information Engineering, Sungkyunkwan University 	<ul style="list-style-type: none"> • Korea Investment Corporation <ul style="list-style-type: none"> - Chief Compliance Officer - Head of Ethics & Compliance - Head of Strategy Management - Head of Information Technology 	<ul style="list-style-type: none"> • Korea Development Bank <ul style="list-style-type: none"> - KIC Establishment Task Force (dispatched from MOEF) - LG Card Management Task Force - Audit Group - Information Technology Group



* As of May 2021



Seungho Jin

Chairman & CEO



Jonghoon Yoon

Statutory Auditor



Daeyang Park (David Park)

Chief Investment Officer



Changho Yoo

Chief Risk Officer



Jihwan Chung

Chief Operating Officer

Ethical Management

A Transparent & Fair System Based on Ethical Awareness & National Pride

KIC was established to efficiently manage assets entrusted by the government, Bank of Korea and other sponsors and contribute to the development of Korea's finance industry. We work proactively to ensure ethical and transparent management by adopting this as our basic principle of management, raising ethical awareness company-wide.



Implementing and reviewing the code of ethics and conduct



Strengthening training for ethical management



Operating a center for whistleblowers and the reporting of irregularities

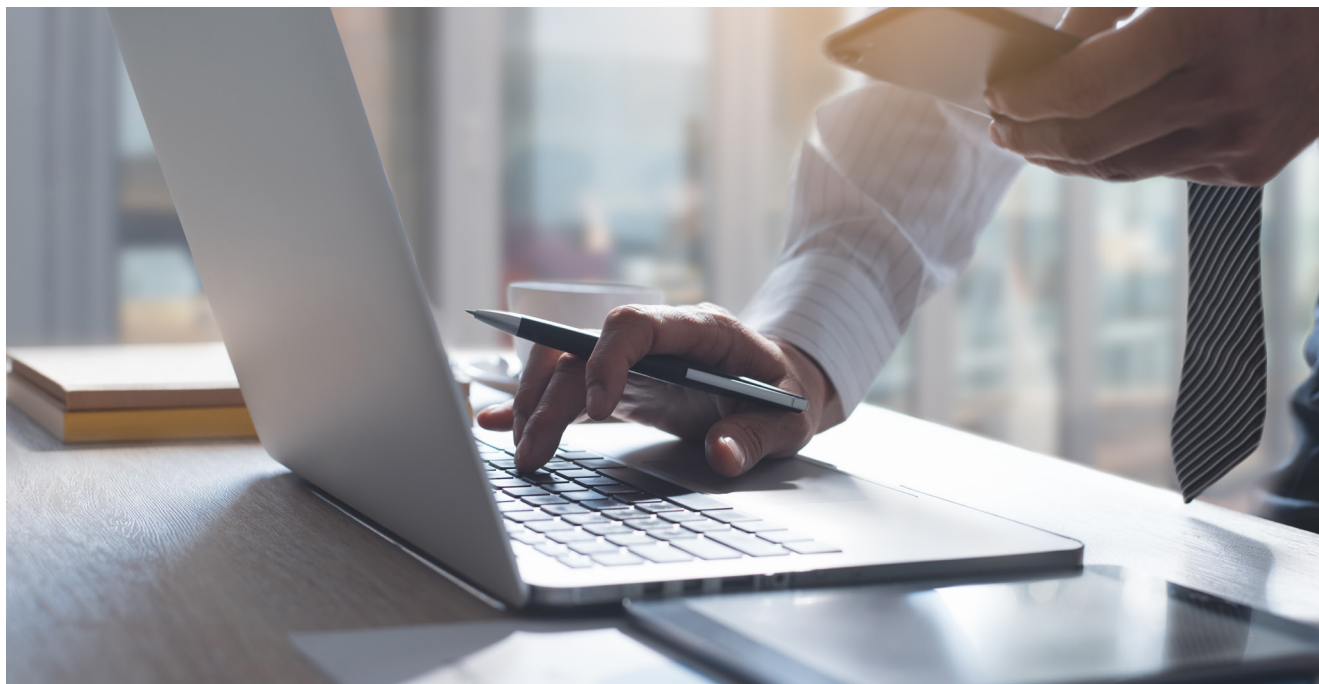
Internal Control

KIC's internal control standards require all employees to abide by the KIC Act, manage entrusted assets with integrity and comply with procedures and standards to protect sponsor interests. KIC's Compliance Officer, who oversees the internal control system, establishes internal control policies and monitors compliance with laws and internal controls.

All KIC employees take a self-diagnosis test every quarter to make sure they meet internal control standards and submit monthly reports when seeking to trade financial investment products. KIC's Ethics & Compliance Group also conducts independent monitoring activities, including reviews of emails and trading transactions.

The Compliance Officer checks for compliance with investment guidelines in managing entrusted assets and monitors trading records based on counterparty evaluations to verify the legal compliance of KIC's investment activities.

The officer also runs an internal whistleblowing and reporting system accessible through various channels for seamless internal control and carries out training programs to promote ethical awareness and legal compliance.

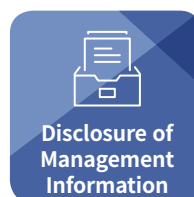


Transparent Governance



In accordance with the Korea Investment Corporation Act, KIC discloses corporate information, including the items below, to ensure transparency and accountability:

- Total assets under management
- Return on total assets
- Asset allocation and investment returns by asset class
- Mid- to long-term investment policy
- Financial statements and accounting standards
- Audit reports
- Changes in portfolio managers



In accordance with the Act on the Management of Public Institutions, KIC discloses management information on ALIO, the website for disclosures of the operation of public institutions, including the following details:

- New hires
- Executive compensation / average employee wages
- National Assembly audit results
- Board of Audit and Inspection remarks
- Board of Directors meeting minutes
- Internal audit results
- Employee benefits
- Tax payments



KIC's annual financial statements are audited by an external auditor and compliant with international audit standards. The external auditor is selected by KIC's Statutory Auditor.

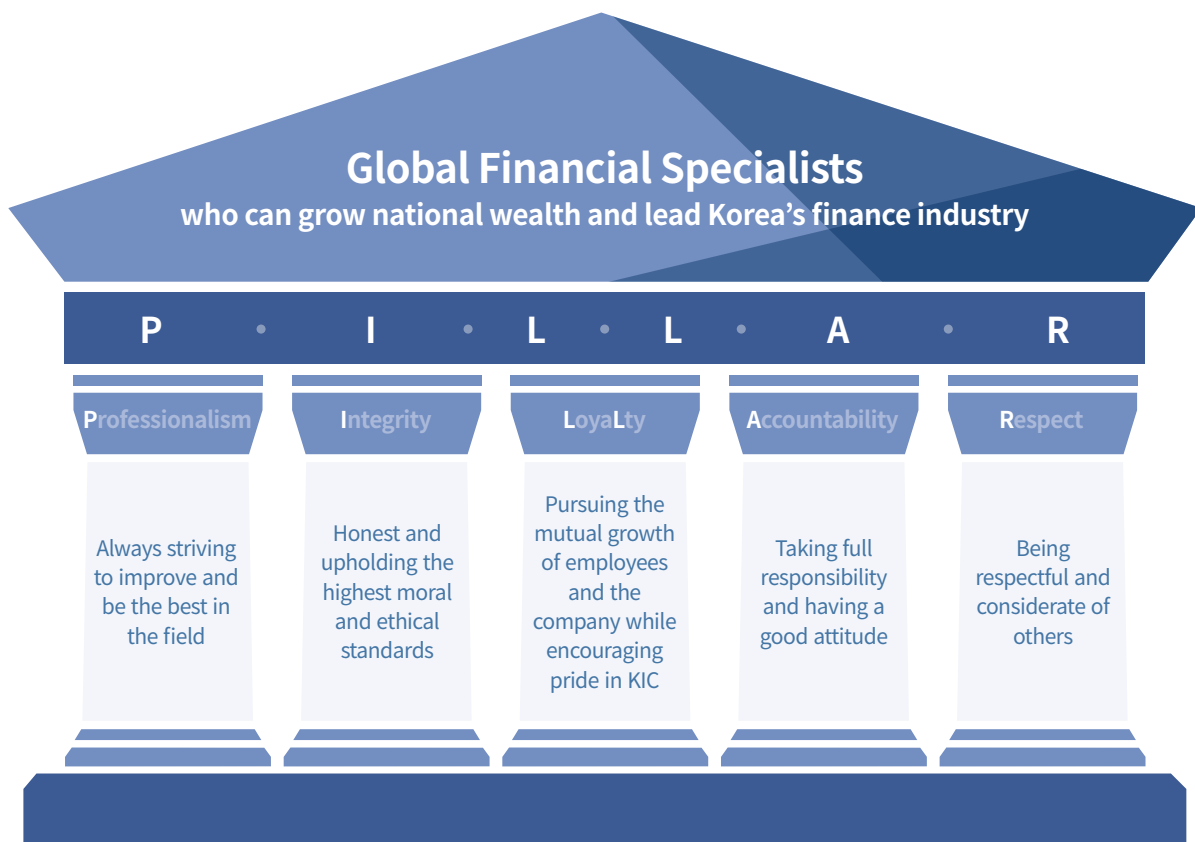


Under the National Assembly Act and the Act on the Inspection and Investigation of State Administration, KIC submits reports on major activities to the National Assembly and is subject to the National Assembly's annual audit.

Talent Development

Key Attributes of KIC Employees

KIC seeks to nurture global financial experts who can contribute to growing Korea's sovereign wealth and finance industry. Our goal is for all KIC employees to embody KIC's five main attributes of professionalism, integrity, loyalty, accountability and respect (PILLAR).





Training Programs

KIC offers various training programs to equip employees with the skills they need to manage Korea’s sovereign wealth and support the nation’s finance industry.

Our domestic and overseas training programs cover subjects related to asset management, including asset allocation, investment management and risk management, and aim to nurture experts in these fields. We also offer courses customized by job, study groups and language courses. We encourage employees to obtain relevant certificates by subsidizing the process.

New entry-level employees learn about the work of each team and the basics of traditional and alternative investments. Through mentoring programs, they can discover what roles best fit their interests and disposition.

KIC also selects interns who, under a mentor’s guidance, are taught job-related skills and encouraged to gain the skills needed to become global financial experts.

To nurture both theoretical and practical financial knowledge, KIC will continue expanding training programs, including an extended academic program at home and abroad, as well as an overseas job training program.

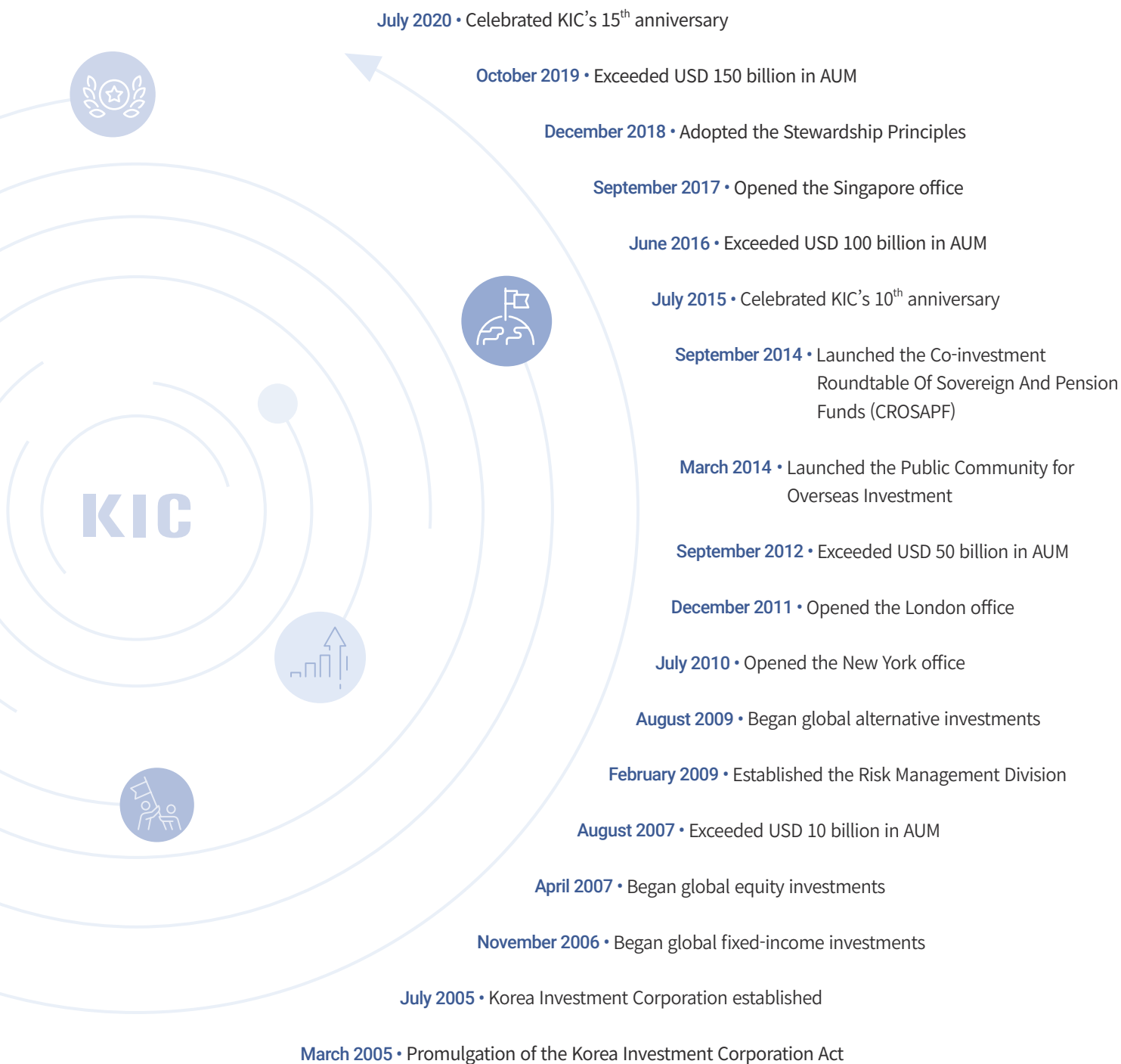
Recruitment

We recruit people who can embrace a challenge, can be innovative in shaping KIC’s future, are responsible and have integrity.

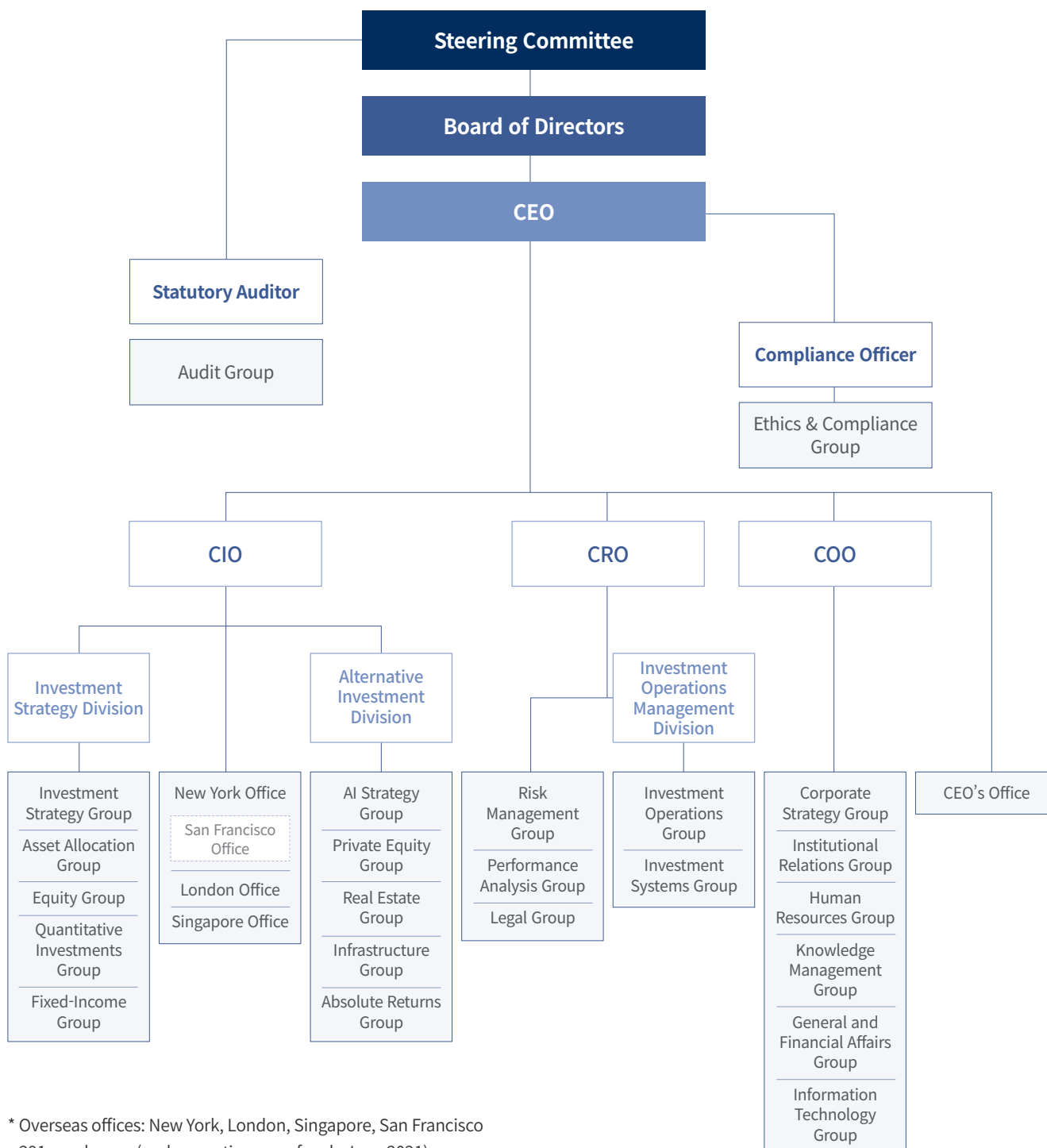
We use an equal opportunity “blind recruitment” process that evaluates a candidate’s job competency in areas including equity, fixed income, alternative investment and risk management while eliminating criteria that may create prejudice, such as birthplace, family status, academic background, gender, etc.

Through strengthening local investment management at our overseas offices, we also continue to bolster local investment expertise.

Milestones



Organization Chart



* Overseas offices: New York, London, Singapore, San Francisco
291 employees (excl. executives, as of early June 2021)

FINANCIAL REVIEW

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Independent Auditors' Report

To the Board of Directors

Korea Investment Corporation:

Opinion

We have audited the financial statements of Korea Investment Corporation(the Corporation), which comprise the statement of financial position as of December 31, 2020 and December 31, 2019, and the statement of income, statement of changes in equity and statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Corporation as of December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with generally accepted accounting principles in 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 Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 generally accepted accounting principles in 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements 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 Corporation'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 Corporation'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 Corporation 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

2913, Nambusunhwan-ro, Gangnam-gu, Seoul, 06280, Korea

March 18, 2021

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.

Statement of Financial Position

As of December 31, 2020 and 2019

Korea Investment Corporation

(KRW thousand)

	Notes	2020	2019
Assets			
Cash and due from banks	4,11	₩ 113,482,387	80,116,193
Accrued incomes, less allowance for doubtful accounts of ₩ 599,122 in 2020 and ₩ 436,936 in 2019	11,16	119,225,296	86,950,362
Securities	5,6	155,642,336	147,900,852
Property and equipment	7,8	2,448,276	2,691,120
Intangible assets	9	9,853,816	4,772,104
Investments	11	4,331,642	3,719,558
Accounts receivable, less allowance for doubtful accounts of ₩ 16,572 in 2020 and ₩ 365 in 2019	11	3,297,920	294,675
Loans, less allowance for doubtful accounts of ₩ 235 in 2020 and ₩ 174 in 2019		46,822	34,546
Income tax receivable	11,15	207,101	192,220
Deferred tax assets	15	1,912,954	4,208,778
Other assets	11	1,563,913	120,024
Total assets		₩ 412,012,463	331,000,432
Liabilities			
Accrued expenses	11	₩ 55,287,745	42,250,987
Withholdings		731,749	835,192
Accounts payable	11	1,792,763	870,245
Income tax payable	15	23,085,326	15,421,281
Provision for retirement and severance benefits	10	13,435,440	11,513,286
Pension plan assets		(13,435,440)	(11,008,868)
Total liabilities		80,897,583	59,882,123
Equity			
Capital	1,13	100,000,000	100,000,000
Retained earnings	14	231,114,880	171,118,309
Total equity		331,114,880	271,118,309
Total liabilities and equity		₩ 412,012,463	331,000,432

See accompanying notes to the financial statements.

Statement of Income

For the years ended December 31, 2020 and 2019

Korea Investment Corporation

(KRW thousand)

	Notes	2020	2019
Operating revenue			
Investment management fees	16	₩ 321,781,776	263,956,585
Gain on foreign exchange	11	11,606,855	6,027,122
Interest income		1,181,016	1,601,672
Dividend income		3,458,513	695,746
Gain on financial assets at fair value through profit or loss	5	8,054,200	365,277
Reversal of allowance for bad debt		-	5,650
		346,082,360	272,652,052
Operating expenses			
Fee expenses		(133,756,120)	(117,868,572)
Loss on foreign exchange	11	(13,493,183)	(4,582,550)
Loss on financial assets at fair value through profit or loss	5	(285,508)	(3,821,400)
General and administrative expenses	17,18	(68,289,583)	(67,043,702)
		(215,824,394)	(193,316,224)
Operating income		130,257,966	79,335,828
Non-operating revenue			
Income from pension plan assets		204,267	147,666
Equity income on investments		846,385	850,182
Other income		7,215	6,240
		1,057,867	1,004,088
Non-operating expenses			
Loss on disposal of property and equipment		(40)	(4,931)
Donations		(300,689)	(242,344)
Other expense		(16,025)	(39,747)
		(316,754)	(287,022)
Income before income tax		130,999,079	80,052,894
Income tax expense	15	(34,348,852)	(18,963,466)
Net income		₩ 96,650,227	61,089,428

See accompanying notes to the financial statements.

Statement of Changes in Equity

For the years ended December 31, 2020 and 2019

Korea Investment Corporation

(KRW thousand)

		Capital	Retained earnings	Total equity
Balance on January 1, 2019	₩	100,000,000	136,205,456	236,205,456
Dividends		-	(26,176,575)	(26,176,575)
Net income for the year		-	61,089,428	61,089,428
Balance on December 31, 2019	₩	100,000,000	171,118,309	271,118,309
Balance on January 1, 2020	₩	100,000,000	171,118,309	271,118,309
Dividends		-	(36,653,656)	(36,653,656)
Net income for the year		-	96,650,227	96,650,227
Balance on December 31, 2020	₩	100,000,000	231,114,880	331,114,880

See accompanying notes to the financial statements.

Statement of Cash Flows

For the years ended December 31, 2020 and 2019

Korea Investment Corporation

(KRW thousand)

	2020	2019
Cash flows from operating activities		
Net income	₩ 96,650,227	61,089,428
Adjustments for:		
Severance benefits	3,016,448	3,004,675
Depreciation	937,473	890,832
Amortization	493,312	404,691
Loss on foreign currency translation	1,911,031	993,031
Provision for allowance for doubtful accounts	178,454	175,789
Loss on financial assets at fair value through profit or loss	285,508	3,821,400
Loss on disposal of property and equipment	40	4,931
Gain on foreign currency translation	(1,038,498)	(507,856)
Reversal of allowance for bad debt	-	(5,650)
Gain on financial assets at fair value through profit or loss	(8,054,200)	(365,277)
Income from pension plan assets	(204,267)	(147,666)
Equity income on investments	(846,385)	(850,182)
Changes in assets and liabilities:		
Decrease (increase) in accrued income	(34,272,172)	(34,912,354)
Decrease (increase) in accounts receivable	(3,020,209)	(293,062)
Decrease (increase) in income tax receivable	(30,500)	70,258
Decrease (increase) in deferred tax assets	2,295,823	(1,462,806)
Decrease (increase) in other assets	(1,482,063)	(54,003)
Increase (decrease) in accrued expenses	14,070,335	8,999,509
Increase (decrease) in withholdings	(103,443)	9,252
Increase (decrease) in accounts payable	926,534	(265,187)
Increase (decrease) in income tax payable	7,664,045	8,624,477
Payments to severance benefits	(1,094,294)	(1,636,129)
Decrease (increase) in pension plan assets	(2,866,173)	(1,354,257)
Net cash provided by operating activities	₩ 75,417,026	46,233,844

(KRW thousand)

	2020	2019
Cash flows from investing activities		
Decrease in time deposits included in cash and due from banks	₩ 110,061,501	96,881,605
Decrease in certificate of deposits included in cash and due from banks	-	40,550,881
Decrease in financial assets at fair value through profit or loss	-	5,000,000
Decrease in investments in associates and subsidiaries	873,593	814,677
Refund of leasehold deposits	11,262	95,496
Increase in time deposits included in cash and due from banks	(140,061,501)	(60,881,605)
Increase in certificate of deposit included in cash and due from banks	-	(550,881)
Increase in financial assets at fair value through profit or loss	-	(110,000,000)
Increase in loans	(12,339)	(18,640)
Acquisition of property and equipment	(694,669)	(1,396,093)
Acquisition of intangible assets	(5,575,023)	(4,315,702)
Payment for leasehold deposits	-	(97,806)
Net cash used in investing activities	(35,397,176)	(33,918,068)
Cash flows from financing activities		
Dividends paid	(36,653,656)	(26,176,575)
Net cash used in financing activities	(36,653,656)	(26,176,575)
Net increase (decrease) in cash and cash equivalents	3,366,194	(13,860,799)
Cash and cash equivalents at beginning of year	20,116,193	33,976,992
Cash and cash equivalents at end of year	₩ 23,482,387	20,116,193

See accompanying notes to the financial statements.

Notes to the Financial Statements

Korea Investment Corporation

For the years ended December 31, 2020 and 2019

1. Reporting Entity

The Korea Investment Corporation (the “Corporation”) was incorporated on July 1, 2005 under the Korea Investment Corporation Act, and is engaged in the investing of assets entrusted by the Korean government (the “Government”) and Bank of Korea. As of December 31, 2020, the Corporation is wholly owned by the Government, and the paid-in capital of the Corporation amounted to ₩ 100 billion.

The primary business of the Corporation is the management of assets entrusted by the trust institutions, and related survey and research activities. In addition, the Corporation exchanges and cooperates with other domestic or overseas institutions carrying on similar business. The Corporation also conducts other incidental business based on the decisions of the Steering Committee. It is located at #100, Toegyero, Jung-gu, Seoul, Korea. The Capital and investor as of December 31, 2020 is summarized as follows.

(KRW thousand)

Investor	Capital	Percentage of shareholding
Ministry of Economy and Finance	₩ 100,000,000	100.00%

2. Basis of Preparation

(1) Statement of Compliance

The financial statements of the Corporation are prepared in accordance with the Accounting Standards for Non-Public Entities in the Republic of Korea (“K-GAAP for Non-Public Entities”), which have been effective since the fiscal year beginning January 1, 2011.

The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. In the event of any differences in interpreting the financial statements or the independent auditors’ report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail.

(2) Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the financial instruments measured at fair value.

(3) Use of Estimates and Judgments

Preparation of the financial statements in conformity with K-GAAP for Non-Public Entities requires that management make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

3. Significant Accounting Policies

The significant accounting policies applied by the Corporation in preparation of its financial statements are included below.

(1) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. The Corporation considers investments with maturities of three months or less on the acquisition date to be cash and cash equivalents.

(2) Financial instruments

Upon acquisition, the Corporation classifies debt and equity securities (excluding investments in subsidiaries, associates, and joint ventures) into the following categories: held-to-maturity, available-for-sale, and trading securities. The Corporation reviews their classification at the end of each reporting period.

Investments in debt securities that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Upon initial recognition, non-derivative financial instruments (other than financial instruments at fair value through profit or loss) are measured at their fair value; plus (less) transaction costs that are directly attributable to the acquisition of a financial asset or issuance of a financial instrument. Trading securities and available-for-sale securities are subsequently carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognized at cost.

For equity securities that have a quoted market price, their market price is considered to be fair value and the market price is the closing price on the reporting date. For debt securities that do not have a quoted market price in an active market, fair value is measured at discounted estimated future cash flows. The discount rate used is the corresponding rate reflecting the debt securities' credit rating as quoted by a credit rating agency, if any. For investment funds that do not have a quoted market price in an active market, their fair value is the standard selling price as reported by the fund management agent.

Gains and losses arising from changes in the fair value of trading securities are included in the statement of income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale securities (net of tax) are recognized as other comprehensive income directly in equity. Accumulated other comprehensive income is recognized as profit or loss when the investments are impaired or sold. Subsequently, held-to-maturity investments are carried at amortized cost and interest income is recognized in profit or loss using the effective interest method.

At each reporting date, the Corporation reviews whether events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reliably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recorded and the reversal of an impairment loss does not exceed the carrying amount that would have been determined without having recognized an impairment loss in prior years. The reversal is recognized in profit or loss.

(3) Financial assets at fair value through profit or loss

The Corporation may designate equity securities as financial assets at fair value through profit or loss upon initial recognition. Upon initial recognition, financial assets at fair value through profit or loss are measured at their fair value; plus (less) transaction costs that are directly attributable to acquisition. For financial assets that have a quoted market price, their market price is considered to be fair value and the market price is the closing price on the reporting date. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the statement of income in the period in which they arise.

(4) Investments in associates and subsidiaries

Investments in associates and subsidiaries in which the Corporation has the ability to significantly influence financial and operating policies are accounted for using the equity method and are initially recognized at cost. The Corporation's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the statement of income, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. When the Corporation's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long-term loans and receivables issued by the associate or subsidiary, the Corporation does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

Unrealized gains on transactions between the Corporation and its investees using the equity method ("associates") that are not subsidiaries are eliminated to the extent of the Corporation's interest in each associate.

If an associate or a subsidiary uses accounting policies or estimates other than those of the Corporation for like transactions and events in similar circumstances, the Corporation makes appropriate adjustments to conform the associate's or subsidiary's accounting policies to those of the Corporation when they are accounted for by the Corporation using the equity method. However, in the event that accounting policies and estimates differ due to the application of Article 31 of the Exceptions to Accounting for Small and Medium-Sized Entities or K-IFRS, no adjustments are made.

(5) Property and equipment

Property and equipment are initially measured at cost. The cost of property and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Assets acquired through investment in kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant expenditures or improvements extending the useful life of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Subsequent to initial recognition, an item of property and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses, if any. The estimated useful lives and depreciation method for the current and comparative years are as follows:

	Useful lives	Depreciation method
Computer equipment	4 - 5 years	Straight-line method
Office equipment	5 years	Straight-line method
Leasehold assets	5 years	Straight-line method

(6) Intangible assets

Cost of intangible assets except for goodwill includes expenditures arising directly from the construction or acquisition of the asset and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, the intangible assets are measured at cost less any accumulated amortization. Intangible assets are amortized using the straight-line method over the estimated useful lives of five years (residual value is presumed to be zero).

(7) Revenue recognition

The Corporation’s revenue primarily consists of investment management fees. The Corporation recognizes the revenue in the statement of income when all of the following conditions are met:

- The amount of revenue can be measured reliably, and
- It is probable that the economic benefits associated with the transaction will flow into the Corporation.

(8) Allowance for doubtful accounts

The Corporation provides an allowance for bad debts based on the estimated collectability of the receivable in accordance with the Regulation on Financial Investment Services. As of December 31, 2020, the percentage of loss by risk classification applied in order to determine the allowance for bad debts are as follows:

Classification	Percentage of Loss
Normal	0.5%
Precautionary	2%
Substandard	20%
Doubtful	75%
Estimated loss	100%

(9) Retirement and severance benefits

The Corporation selectively operates a defined benefit pension plan and a defined contribution pension plan for employees who have been with the Corporation for more than one year.

Based on the defined benefit pension plan, each eligible employee receives a fixed amount of pension after retirement. Until employees retire, the Corporation's estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying statement of financial position. If an employee selected the pension plan upon retirement, the Corporation accrues estimated benefits based on actuarial assumptions measured at the end of the reporting period at the discounted present value. The asset managed by the retirement pension plan is reflected in the accompanying statement of financial position as a reduction of the liability for retirement and severance benefits.

Meanwhile, the Corporation recognizes the contribution payable to a defined contribution plan in exchange for that service as an expense.

(10) Income taxes

Income tax on the income or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using enacted tax rates. Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

Changes in deferred taxes due to a change in the tax rate, except for those related to items initially recognized outside profit or loss, are recognized as profit or loss in the current year.

(11) Foreign currency transactions**① Functional and presentation currency**

These financial statements are presented in Korean won, which is the Corporation's functional currency and the currency of the primary economic environment in which the Corporation operates.

② Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Corporation at exchange rates at the dates of the transactions. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are retranslated to the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date, and resulting translation gains or losses are recognized in profit and loss.

4. Cash and Due From Banks

Cash and due from banks as of December 31, 2020 and 2019 are as follows:

(KRW thousand)

	Annual interest rate (%)	2020	2019
Cash and cash equivalents			
Money market deposit accounts	0.10~0.93	₩ 65,565	95,369
Money market trust	0.61	3,500,000	15,915,986
Specified money trust	0.45~1.10	16,975,381	-
Ordinary deposits	0.10	43,771	35,953
Foreign currency deposits	0.00~0.01	2,897,670	4,068,885
		23,482,387	20,116,193
Time deposits	1.02~1.56	90,000,000	60,000,000
		₩ 113,482,387	80,116,193

5. Financial Assets at Fair Value Through Profit or Loss Included in Securities Account

Financial assets at fair value through profit or loss as of December 31, 2020 and 2019 are summarized as follows:

(KRW thousand)

	2020			2019
	Acquisition cost	Fair value	Book value	Book value
IGIS No. 43	₩ 27,400,000	24,983,320	24,983,320	25,268,828
Mirae Asset Trust No. 2-3	110,000,000	114,232,800	114,232,800	106,178,600
	₩ 137,400,000	139,216,120	139,216,120	131,447,428

6. Investments in Associates and Subsidiaries Included in Securities Account

Investments in companies accounted for using the equity method as of December 31, 2020 and 2019 are summarized as follows:

(KRW thousand)

	2020		
	Percentage of Ownership	Acquisition cost	Book value
K-REALTY VI	40%	16,000,000	16,426,216

(KRW thousand)

	2019		
	Percentage of Ownership	Acquisition cost	Book value
K-REALTY VI	40%	16,000,000	16,453,424

Changes in the balances of investments in companies accounted for using the equity method of accounting for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020			
		Beginning balance	Equity gain	Collection	Book value
K-REALTY VI	₩	16,453,424	846,385	(873,593)	16,426,216

(KRW thousand)

		2019			
		Beginning balance	Equity gain	Collection	Book value
K-REALTY VI	₩	16,417,919	850,182	(814,677)	16,453,424

The financial information of equity-accounted investments, which represent 100% of the entities' balances as of and for the years ended December 31, 2020 and 2019, are summarized as follows:

(KRW thousand)

		2020			
		Total assets	Total liabilities	Operating revenue	Net income
K-REALTY VI	₩	94,723,269	57,219,470	5,050,055	1,112,967

(KRW thousand)

		2019			
		Total assets	Total liabilities	Operating revenue	Net income
K-REALTY VI	₩	95,229,918	57,146,500	4,970,269	1,120,324

7. Property and Equipment

Changes in property and equipment for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020				
		Beginning balance	Acquisition	Disposal (*)	Depreciation	Ending balance
Computer equipment	₩	2,183,088	651,973	-	(743,865)	2,091,196
Office equipment		207,966	30,376	(40)	(76,967)	161,335
Leasehold assets		300,066	12,320	-	(116,641)	195,745
	₩	2,691,120	694,669	(40)	(937,473)	2,448,276

(*) Fully-depreciated office equipment is disposed for the year ended December 31, 2020. Its acquisition costs is ₩ 75,464 thousand.

(KRW thousand)

	2019				
	Beginning balance	Acquisition	Disposal (*)	Depreciation	Ending balance
Computer equipment	₩ 1,432,754	1,367,339	-	(617,005)	2,183,088
Office equipment	325,879	28,754	(4,931)	(141,736)	207,966
Leasehold assets	432,157	-	-	(132,091)	300,066
	₩ 2,190,790	1,396,093	(4,931)	(890,832)	2,691,120

(*) Fully-depreciated office equipment is disposed for the year ended December 31, 2019. Its acquisition costs is ₩ 8,867 thousand.

8. Insured Assets

Insurance contracts maintained by the Corporation as of December 31, 2020 are as follows:

(KRW thousand)

Category of insurance	Classification	Insured assets	Insured amount	Insurance company
Movables comprehensive insurance	Korea	Computer equipment	₩ 10,029,590	MG Non-Life Insurance
		Office equipment		
		Leasehold assets		
	New York	Computer equipment	714,272	The Hartford
		Office equipment		
		Leasehold assets		
	London	Computer equipment	337,495	AXA Insurance
		Office equipment		
		Leasehold assets		
	Singapore	Computer equipment	258,999	AXA Insurance
		Office equipment		
		Leasehold assets		

9. Intangible Assets

Changes in intangible assets for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

	Development costs	Computer Software	Total
Net balance at the beginning of 2020	₩ 3,836,504	935,601	4,772,105
Additions	4,794,791	780,232	5,575,023
Amortization (*)	(129,175)	(364,137)	(493,312)
Net balance at the end of 2020	₩ 8,502,120	1,351,696	9,853,816
Net balance at the beginning of 2019	₩ 369,332	491,761	861,093
Additions	3,638,204	677,499	4,315,702
Amortization (*)	(171,032)	(233,660)	(404,691)
Net balance at the end of 2019	₩ 3,836,504	935,601	4,772,104

(*) Amortization costs are reflected in the general and administrative expenses of the statement of income.

10. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020	2019
Provision for retirement and severance benefits at beginning of year	₩	11,513,286	10,144,741
Payments		(1,094,294)	(1,636,129)
Accrual for retirement and severance benefits		3,016,448	3,004,674
Provision for retirement and severance benefits at end of year	₩	13,435,440	11,513,286

Pension plan assets as of December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020	2019
Principal guarantee financial instruments	₩	7,008,906	5,903,769
Other		6,426,534	5,105,099
	₩	13,435,440	11,008,868

Changes in pension plan assets for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020	2019
Beginning balance	₩	11,008,868	9,506,945
Increase		3,704,267	4,523,486
Decrease		(1,277,695)	(3,021,563)
Ending balance	₩	13,435,440	11,008,868

Expenses related to defined contribution plans recognized for the years ended December 31, 2020 and 2019 are ₩ 473,929 thousand and ₩ 442,969 thousand, respectively.

11. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2020 are as follows:

(KRW thousand)

		Foreign currency	Exchange rate	Translated into won
Assets				
	USD	2,088,778.10	₩ 1,088.00	₩ 2,272,591
Deposits	GBP	353,644.03	1,482.40	524,242
	SGD	122,640.45	822.22	100,837
Accrued income	USD	109,679,608.20	1,088.00	119,331,414
Other assets	USD	406,332.58	1,088.00	442,090
	GBP	837,760.02	1,482.40	1,241,895
	SGD	700,764.28	822.22	576,182
				₩ 124,489,251
Liabilities				
Accrued expenses	USD	35,348,941.39	₩ 1,088.00	₩ 38,459,648
	GBP	94.52	1,482.40	140
	SGD	11,265.68	822.22	9,263
Accounts payable	USD	176,433.91	1,088.00	191,960
	GBP	190,850.36	1,482.40	282,917
	SGD	13,637.01	822.22	11,213
				₩ 38,955,141

Regarding foreign currency translations, the Corporation recognized operating revenue of ₩ 1,038,779 thousand and operating expenses of ₩ 2,168,551 thousand for the year ended December 31, 2020.

Assets and liabilities denominated in foreign currencies as of December 31, 2019 are as follows:

(KRW thousand)

		Foreign currency	Exchange rate	Translated into won
Assets				
Deposits	USD	3,128,295.15	₩ 1,157.80	₩ 3,621,940
	GBP	248,587.92	1,518.69	377,528
	SGD	80,853.79	858.55	69,417
Accrued income	USD	75,217,988.64	1,157.80	87,087,387
Other assets	USD	393,836.84	1,157.80	455,984
	GBP	132,765.36	1,518.69	201,629
	SGD	117,652.20	858.55	101,010
				₩ 91,914,895
Liabilities				
Accrued expenses	USD	25,698,900.85	₩ 1,157.80	₩ 29,754,187
	GBP	3,136.61	1,518.69	4,764
	SGD	12,434.38	858.55	10,675
Accounts payable	USD	166,990.87	1,157.80	193,342
	GBP	98,511.07	1,518.69	149,608
	SGD	14,773.79	858.55	12,684
				₩ 30,125,260

12. Commitments and Contingencies

As of December 31, 2020, the Corporation maintains investment management agreements with Bank of Korea and Ministry of Economy and Finance, and sub-investment management agreements with BlackRock International Limited and others. Total entrusted assets related to these agreements amounted to USD 183,069,901,183.29 as of December 31, 2020.

There are no pending litigations as of December 31, 2020.

13. Capital

Capital as of December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020	2019
Authorized capital	₩	1,000,000,000	1,000,000,000
Capital issued		100,000,000	100,000,000

According to the Korea Investment Corporation Act, the authorized capital of the Corporation is ₩ 1 trillion and the Government is to invest the full amount. The time and investment method of the capital contribution will be decided by the Minister of Economy and Finance.

14. Retained Earnings

Retained earnings as of December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020	2019
Earning reserve (*)	₩	37,252,326	31,143,383
Voluntary reserve		97,212,327	78,885,498
Unappropriated retained earnings		99,650,227	61,089,428
Total retained earnings	₩	234,114,880	171,118,309

(*) According to Article 41 of the articles of incorporation, the Corporation is required to reserve at least 10% of net income for each period until the reserve equals half of its capital.

Statement of appropriation of retained earnings for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020	2019
Unappropriated retained earnings			
Balance at beginning of year	₩	-	-
Net income for the year		96,650,227	61,089,428
Balance at end of year before appropriation	₩	96,650,227	61,089,428
Appropriation of retained earnings			
Earning reserve	₩	9,665,023	6,108,943
Voluntary reserve		28,995,068	18,326,828
Dividends (*)		57,990,136	36,653,657
Unappropriated retained earnings to be carried over to subsequent year	₩	-	-

(*) The Corporation's dividend for the years ended December 31, 2020 is estimated dividend, assuming a dividend ratio of 60%. The estimated dividend for the years ended December 31, 2019 was calculated ₩ 36,654 million, assuming a dividend ratio of 60%, and the same amount was actually distributed.

15. Income Taxes

The components of income tax expense for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

		2020	2019
Current tax expense	₩	30,928,769	20,746,296
Changes in deferred tax from temporary differences		2,295,823	(1,462,806)
Supplementary payment of income taxes		1,124,259	(320,024)
Income tax expense	₩	34,348,852	18,963,466

The income tax expense calculated by applying statutory tax rates to the Corporation's income before income taxes for the year differs from the actual tax expense in the statement of income for the years ended December 31, 2020 and 2019 for the following reasons:

(KRW thousand)

		2020	2019
Income before income tax	₩	130,999,079	80,052,895
Income tax expense at statutory tax rates		31,239,777	18,910,801
Tax effects of permanent differences		16,478	11,853
Tax credit		(20)	(20)
Other adjustments		3,092,617	40,832
Income tax expense	₩	34,348,852	18,963,466
Effective tax rate		26.22%	23.69%

Changes in temporary differences for the year ended December 31, 2020 and deferred tax assets as of December 31, 2020 are as follows:

(KRW thousand)

	Beginning balance	Increase	Decrease	Ending balance	Deferred tax assets
Appropriation for retirement	₩ 486,985	3,685,965	(4,172,950)	-	-
Accrued expenses	11,251,748	13,120,156	(11,251,748)	13,120,156	3,175,077
Accounts receivable	-	-	(3,089,937)	(3,089,937)	(747,765)
Securities under equity method	(453,424)	(426,216)	453,424	(426,216)	(103,144)
Financial assets at fair value through profit or loss	5,952,572	-	(7,768,692)	(1,816,120)	(439,501)
Property and equipment	153,763	25,753	(62,628)	116,888	28,287
	₩ 17,391,644	16,405,658	(25,892,531)	7,904,771	1,912,954

Changes in temporary differences for the year ended December 31, 2019 and deferred tax assets as of December 31, 2019 are as follows:

(KRW thousand)

	Beginning balance	Increase	Decrease	Ending balance	Deferred tax assets
Appropriation for retirement	₩ 467,572	57,012	(37,599)	486,985	117,851
Accrued expenses	8,597,515	11,251,748	(8,597,516)	11,251,748	2,722,923
Securities under equity method	(417,919)	(453,424)	417,919	(453,424)	(109,729)
Financial assets at fair value through profit or loss	2,496,449	5,952,572	(2,496,449)	5,952,572	1,440,522
Property and equipment	203,375	26,808	(76,420)	153,763	37,211
	₩ 11,346,992	16,834,716	(10,790,065)	17,391,644	4,208,778

Deferred tax assets have been recognized, as the Corporation has determined it is probable that future profits, against which it can use related benefits, will be available.

Income tax receivable and income tax payable imposed by the different taxation authority are not offset against each other.

16. Related Party Transactions

Details of related party as of December 31, 2020 are as follows:

Related party	Relationship
Ministry of Economy and Finance	Investor

Account balances with a related party as of December 31, 2020 and 2019 are as follows:

(KRW thousand)

	Account	2020	2019
Ministry of Economy and Finance	Accrued income	₩ 96,618,075	69,419,651

Significant transactions that occurred in the normal course of business with the related party for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

	Account	2020	2019
Ministry of Economy and Finance	Investment management fees	₩ 242,699,290	201,417,095

17. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

	2020	2019
Salaries and wages	₩ 35,110,509	32,668,705
Accrual for retirement and severance benefits	3,490,377	3,447,644
Other employee benefits	7,845,755	7,773,882
Advertising	58,223	74,451
Travel	335,108	1,787,050
Communications	389,699	385,340
Computer system operation expenses	1,475,957	1,368,627
Taxes and dues	309,506	335,026
Rental expenses	4,977,278	4,890,584
Other service fees	1,285,873	1,136,289
Depreciation	937,473	890,832
Amortization	493,312	404,691
Business development expenses	93,873	121,227
Business meetings	327,935	358,329
Printing	60,094	74,447
Vehicle maintenance expenses	136,262	143,127
Supplies	97,679	106,321
Repairs and maintenance	18,987	21,411
Utilities	1,887,977	1,836,965
Insurance	69,196	61,400
Legal expenses	833	2,436
Event expenses	153,186	141,254
Information expenses	8,121,840	8,053,375
Training	396,734	745,139
Books and periodicals	32,582	32,614
Prize	4,881	6,747
Bad debt expenses	178,454	175,789
	₩ 68,289,583	67,043,702

18. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2020 and 2019 are as follows:

(KRW thousand)

	2020	2019
Salaries and wages	₩ 35,110,509	32,668,705
Accrual for retirement and severance benefits	3,490,377	3,447,644
Other employee benefits	7,845,755	7,773,882
Taxes and dues	309,506	335,026
Rental expenses	4,977,278	4,890,584
Depreciation	937,473	890,832
Amortization	493,312	404,691

19. Date of Authorization for Issue

The Corporation's financial statements are authorized for issue on March 19, 2021, at the Board of Directors meeting. These financial statements are scheduled to be submitted for approval to the Steering Committee on March 24, 2021.

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