

REACHING FOR THE TOP

KOREA INVESTMENT CORPORATION
2022 Annual Report

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REACHING
FOR
THE TOP

Message from the CEO

Dear Readers,

Global financial markets last year met with unprecedented uncertainty.

Inflation rose as the global economy started to normalize post-pandemic. The Federal Reserve and other central banks responded with aggressive interest rate hikes, sparking concerns of a global recession. Global supply chain disruptions caused by the Russia-Ukraine War, China's "zero-Covid" policy and other factors contributed further to inflation and exacerbated geopolitical risks.

In this volatile economic environment, the prices of both stocks and bonds – representative traditional assets – saw simultaneous double-digit declines. This hadn't occurred during the Asian Financial Crisis of 1997 nor even the Global Financial Crisis of 2008. And it undermined the fundamental investment principle of diversification.

Oaktree Capital co-founder and Wall Street guru Howard Marks wrote last year that the investment world was experiencing its first "sea change" in decades, one marking the end of a low-interest-rate era that had lasted for 40 years or, more briefly, for 13 years since the financial crisis.

KIC focused on risk management in this turbulent global economic and financial landscape. We also strengthened our macroeconomic research capabilities and reexamined our investment process to build a system that can withstand future "black swan" events.

We also weren't swayed by immediate challenges. Instead, as the sovereign wealth fund of Korea working for future generations, we diversified our investment strategy with a long-term perspective and expanded partnerships with top global investment institutions. In short, we continued striving to become a leading sovereign wealth fund.

[Read on for a Q&A with the CEO on key issues.](#)

KIC 한국투자공사
Korea Investment Corp.



A scenic landscape featuring a paraglider in a blue sky above a mountain range with a sea of clouds at the base. The sky is a deep blue with wispy clouds and a few white contrails. The mountains are dark and silhouetted against a lighter sky, with a sea of white clouds filling the valley below. A paraglider with a yellow and red canopy is visible in the upper left quadrant of the sky.

DESIGNING A RESILIENT PORTFOLIO

Q.

As a long-term investor, what is **KIC's strategy for dealing with volatile markets?**

A.

The benefits of diversifying into equities and fixed income, a fundamental principle of investing, are becoming less apparent. So KIC is exploring new investment strategies and expanding alternative investments, diversifying across asset classes to build a long-term investment portfolio that is less susceptible to market volatility.

As of the end of 2022, alternative investments made up 22.8% of our portfolio, up from 17.5% a year earlier. KIC started investing in alternatives in 2009, and we've been able to capture illiquidity premiums for long-term investments to increase returns and reduce overall portfolio risk.

We have also achieved meaningful results with direct investments. Last year, we acquired a stake in Golub Capital, one of the largest private debt managers in North America. Recognizing the sharp growth of the private debt market, where loans to blue-chip companies can generate stable cash flows, we strengthened our partnership with Golub by becoming a shareholder.

And in terms of venture investments, our San Francisco office, which we opened in 2021, is rapidly building its network and expanding investments in Silicon Valley, the heart of global tech innovation. The KIC Venture Growth (KVG) fund, which is our venture investment program, invests in companies in their early-growth stage. This helps secure high-growth-potential opportunities and expand our portfolio.



An aerial photograph showing a two-lane asphalt road that curves along a rugged, rocky coastline. The road is bordered by a metal guardrail on the outer side. The coastline is densely populated with green trees and shrubs. To the left of the road is a large body of water with a blue-green hue. The sky is a clear, solid blue. The overall scene conveys a sense of natural beauty and infrastructure in a scenic, possibly coastal, environment.

A TRULY
SUSTAINABLE
INVESTOR

Q.

How is **KIC strengthening its sustainable investments?**
And what **results** have you **achieved?**

A.

As a sovereign wealth fund, contributing to a sustainable future isn't an option for KIC. It's a responsibility.

We have developed a sustainable investment strategy that is suitable for each investment approach and asset class and applied portfolio-wide.

We also continue to expand partnerships to strengthen our sustainable investment capabilities. Last year, we joined the UN Principles for Responsible Investment (PRI), the world's largest responsible investment initiative, which will help us collaborate more with leading global investment institutions and establish ourselves as a sustainable investor.

As part of an effort to tackle climate change, we have also measured the carbon emissions of our investment portfolio and analyzed climate change scenarios in accordance with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), a global standard for climate disclosures. We found that both the carbon emissions and climate risk levels of our portfolio were lower than the benchmark, and we disclosed our findings in our Sustainable Investment Report.

Over the years, KIC has gained external recognition as a sustainable investor. To give you one example, we were ranked 10th among 100 sovereign wealth funds in research platform Global SWF's 2022 Governance, Sustainability & Resilience (GSR) Scoreboard.



Joining the UN PRI
page 44



BUILDING
CONFIDENCE

Q.

What are some of the things **KIC is doing to become a leading global sovereign wealth fund?**

A.

KIC's core competitiveness, which remains unchanged regardless of market conditions, is our talent. Our people.

The world's top financial institutions are all trying to secure and retain the best people. It's a war for talent. We believe that as long as every single one of our employees brings exceptional investment expertise, outstanding investment performance will follow.

That's why we welcomed some great mid-career hires through six recruitment rounds in 2022. We're also giving our staff more opportunities to study abroad and actively developing overseas investment training programs in collaboration with top global managers. We have revamped our compensation system as well because we know that if KIC wants to grow alongside its excellent talent, they need excellent compensation.

Giving our employees the experience and educational opportunities to grow and rewarding them appropriately for their performance are arguably the most important ways we can invest today in becoming a leading global sovereign wealth fund.





A TRUSTED
PARTNER

A decorative graphic consisting of a white line that starts from the left, curves down, then up, and ends on the right. Several white circles of varying sizes are placed along this line.

Q.

As a sovereign wealth fund, **what role does KIC play in the development of Korea's finance industry?**

A.

We support the development of Korea's finance industry in several ways. For one, we strengthened our partnerships with domestic financial institutions last year by making commitments with two asset managers for overseas equity mandates. By entrusting domestic managers with more assets and continuing to diversify our strategies, we will actively help Korea's financial institutions hone their overseas investment capabilities and become more globally competitive.

We're also working to share our global network and management know-how with the domestic financial market. So in April of 2022, we launched the International Finance Academy, an educational program that nurtures overseas investment specialists and supports the development of Korea's finance industry. Through this, we provide timely and practical overseas investment know-how for domestic institutional investors trying to expand their portfolios.



Public Community for
Overseas Investments
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Our overseas offices, located in the global financial centers of New York, London, Singapore and San Francisco, are also working actively with Korean institutions. And through leveraging our network of leading global investors, we can share investment information with public and private Korean investment institutions that have expanded into these regions, helping them quickly and efficiently gain local market expertise.



In a fast-changing global financial environment that is undergoing a “sea change,” we have our work cut out for us. But we have overcome various difficult situations since our establishment in 2005, including the Global Financial Crisis and Covid-19 pandemic. And in the process, we’ve become a respected and trusted financial institution in the global financial market.

Our long-term investment horizon is not a year from now, but a decade from now, the next generation.

Our task is to continue to achieve stable, long-term returns through constant innovation.

And our goal, as a transparent sovereign wealth fund you can trust, is to build a brighter future for coming generations.

Seungho Jin

Chairman of the Board & CEO
Korea Investment Corporation

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Global Reach

KIC invests in 66 countries, 39 currencies, 3,303 equities, 8,036 fixed-income instruments and 472 funds around the world to generate stable and sustainable returns.



 **66** countries

 **39** currencies

 **3,303** equities

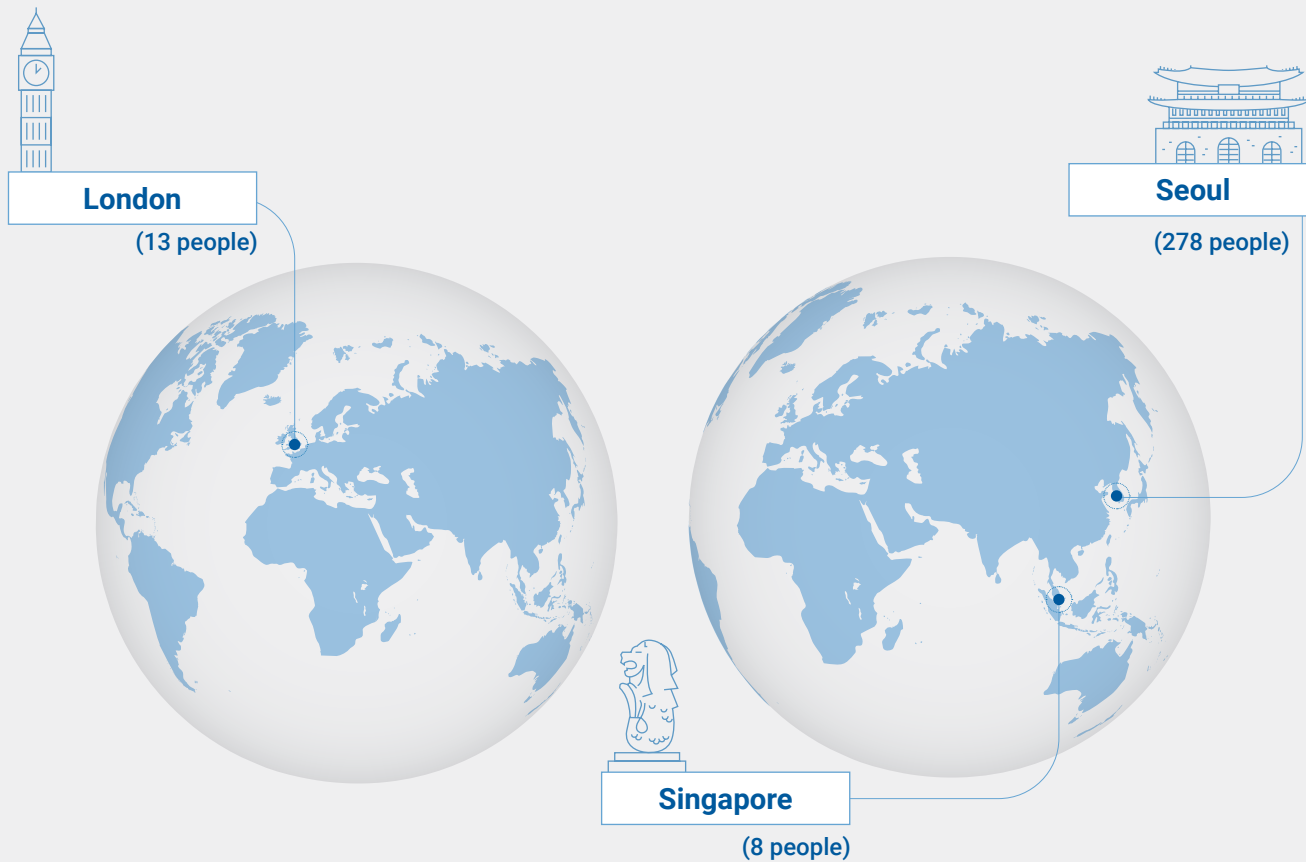
8,036 fixed-income instruments

472 funds

KIC employees (People, as of the end of April 2023)

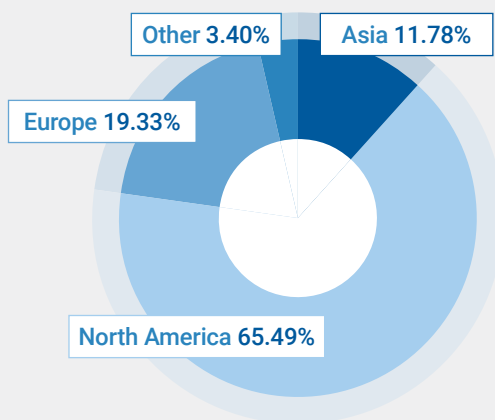
	Seoul	New York	London	Singapore	San Francisco	Total
Employees (Investment managers)	278 (120)	20 (17)	13 (9)	8 (6)	5 (3)	324 (155)

*Excl. executives



Investments by region

(As of the end of 2022)



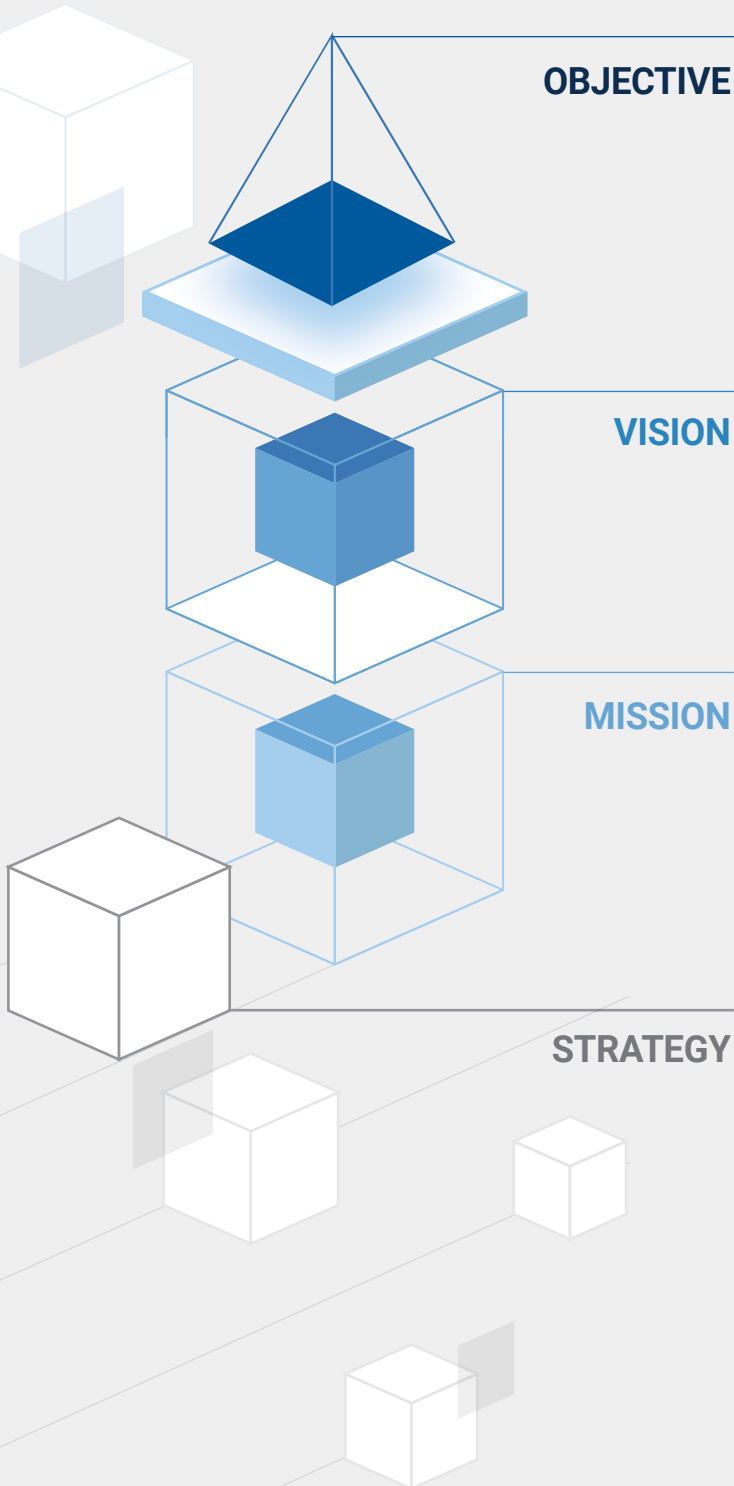
List of invested countries

(As of the end of 2022)

Equity & fixed-income investments	Australia, Austria, Belgium, Brazil, Canada, Cayman Islands, Chile, China, Colombia, Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Japan, Kuwait, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Peru, Philippines, Poland, Portugal, Qatar, Republic of South Africa, Russia, Saudi Arabia, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, UAE, United Kingdom and USA
Equity investments	Turkey
Fixed-income investments	Argentina, Bailiwick of Jersey, Bermuda, Bulgaria, Croatia, Cyprus, Egypt, Estonia, Guernsey, Iceland, Kazakhstan, Lithuania, Macau, Panama, Romania, Slovakia, Slovenia and Uruguay

*Based on the market value of traditional assets

Vision & Mission



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)

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

STRATEGY

Increase long-term returns

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

Support the domestic finance industry

- Overseas investment leadership
- Cooperation with domestic finance industry

Engage in responsible management

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



Our Future

T ALENT	R ENOVATION	U NITY	S TANDARD	T OMORROW
Respecting individual talent and expertise	Embracing innovation and change	Unified through a healthy corporate culture	Setting global SWF standards	Preparing for Korea's future
We respect the expertise of our employees, who come from diverse backgrounds, through talent-focused management.	We seek continuous growth through ongoing innovation and change.	We strive for unity through a corporate culture of mutual trust and respect.	We aim to set the standard for investment expertise and returns for sovereign wealth funds globally.	We prepare for Korea's economic future through increasing sovereign wealth.

Management Philosophy & Investment Philosophy

Management Philosophy

- Performance Management**
 - Pursuing efficient management and employee innovation & growth
 - Generating the best results with the best talents
- Ethical Management**
 - Building a system of integrity and fairness
 - Securing the trust of sponsors and the public
- Happiness Management**
 - Creating a workplace of respect, consideration and fun
 - Generating positive synergy among employees

Investment Philosophy

- Investing for the long term**
 - Investing with a long-term perspective to achieve high returns amid short-term market volatility
- Investing based on intrinsic value**
 - Identifying undervalued opportunities through systematic valuation
- Investing based on thorough risk screening**
 - Staying a step ahead in risk management for investment targets and investing only after thorough risk screening

INVESTMENT REVIEW

With advanced investment management strategies befitting its status and responsibilities, KIC efficiently manages national assets and is fast becoming a globally leading sovereign wealth fund.

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Investment Overview

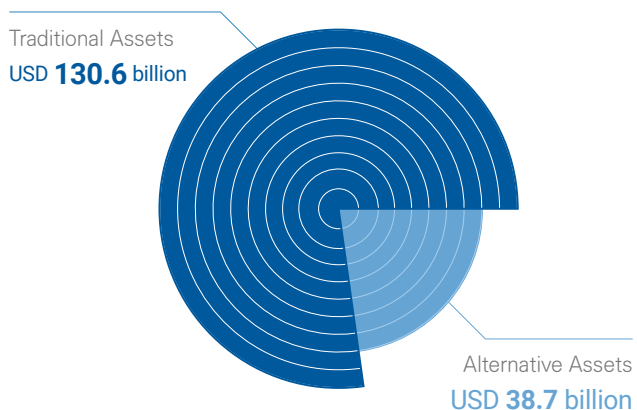
First entrusted with USD 1 billion in 2006, KIC has consistently expanded its operating scale through stable and capable management. Assets under management (AUM) at the end of 2022 totaled USD 169.3 billion.

Following a principle of diversification, KIC manages a portfolio that is 77.2% traditional assets and 22.8% alternative assets,

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

The AUM of our alternative assets, which have a low correlation with traditional assets and capture an illiquidity premium through long-term investment, grew about 8% (USD 2.8 billion) from the previous year to USD 38.7 billion, accounting for 22.8% of the portfolio in 2022 compared to 17.5% in 2021.

Asset allocation (2022)



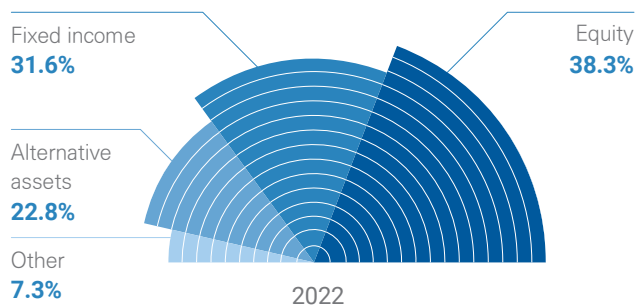
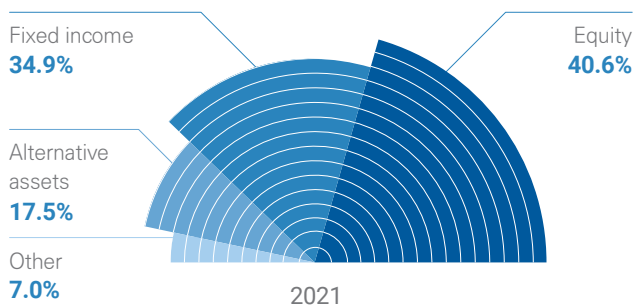
(USD billion, %)

	NAV	Weight
Traditional assets	Equities	38.3
	Fixed income	31.6
	Subtotal*	77.2
Alternative assets	Private equity	9.5
	Real estate & infrastructure	9.7
	Hedge funds	3.3
Subtotal*	22.8	
Total	169.3	100.0

*The subtotals include other assets such as inflation-linked bonds and cash.

Asset allocation compared to the previous year

Our alternative assets grew by about 7.8% (USD 2.8 billion) from the previous year to USD 38.7 billion, accounting for 22.8% of the total portfolio, up 5.3% from the previous year.



The outbreak of the Russia-Ukraine War in February 2022 and the prolonged nature of the crisis exacerbated supply chain bottlenecks, which led to sharp rises in commodity, energy and food prices and higher inflation than expected. The U.S. Consumer Price Index (CPI) soared to 9.1% and the U.K. CPI to 11.1% year-over-year, recording the highest inflation rates since the 1980s.

Amid these inflationary concerns and supply chain crises, the U.S. Federal Reserve's seven sharp rate hikes throughout the year led to increased uncertainty and volatility in financial markets.

In particular, the U.S. benchmark interest rate increased by 4.25% points over the course of a year after the beginning of 2022, which contributed to the deterioration of the real economy and significantly increased the likelihood of a global recession.

Moreover, the slowdown in China's economic growth due to lockdowns under the country's "zero-Covid" policy and the spread of real estate insolvency risks also increased uncertainty in the global financial markets and cooled investor sentiment.

As a result, in 2022, global stock prices fell 19.8% (MSCI World Index) and bond prices fell 16.2% due to rising sovereign debt rates around the world. It was the first time since the 1990s that the two asset classes, which normally allow for diversification due to their negative correlation, recorded double-digit declines at the same time, causing substantial turmoil in financial markets.

Despite KIC's proactive risk hedging efforts during this complex financial crisis and the fact that alternative assets, which KIC continued to expand, helped protect portfolio returns, the overall decline in asset prices resulted in an annualized total asset return of -14.36% in 2022, with total assets dropping to USD 169.3 billion.

Assets under management by year

(USD billion)

	2018	2019	2020	2021	2022
NAV	131.6	157.3	183.1	205.0	169.3
Cumulative net investment income since establishment	29.0	49.2	71.0	87.9	58.2

Net asset value (NAV)

KIC's return on total assets in 2022 stood at -14.36%, with a five-year annualized return of 3.39% and an annualized return since inception of 4.12%.

(%)

	2018	2019	2020	2021	2022
Return on total assets (before fees)	-3.66	15.39	13.71	9.13	-14.36
Return on total assets (after fees)	-3.80	15.21	13.52	8.94	-14.46
Annualized return since inception	3.76	4.60	5.22	5.47	4.12

Return on traditional assets

The return on traditional assets in 2022 was -17.58%, -52 bps compared to the benchmark.

(%)

		2018	2019	2020	2021	2022	Annualized return for the past 5 years ('18-'22)	Annualized return since inception
Total	Return	-5.64	16.62	14.62	6.75	-17.58	2.10	4.06
	Excess return (bp)	-81	33	144	-39	-52	-6	16
Equities	Return	-9.55	27.52	19.16	18.61	-19.27	5.65	4.56
	Excess return (bp)	-71	6	261	-92	-137	-21	-12
Fixed income	Return	-1.32	7.53	9.88	-4.62	-16.65	-1.51	2.36
	Excess return (bp)	-13	73	78	39	14	36	32

Return on alternative assets

Annualized return since inception: 8.23%

(%)

	Inception	Annualized return since inception
Private equity	2009. 09. 16	9.88
Real estate & infrastructure	2010. 03. 15	7.88
Hedge funds	2010. 01. 29	5.31
Alternative asset total*		8.23

* 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

Investment Policy & Process

KIC's investment policy and processes focus on boosting long-term returns through the stable management of assets entrusted by the Korean government, Bank of Korea and public funds.

Investment Objective

KIC's investment objective is to generate sustainable 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

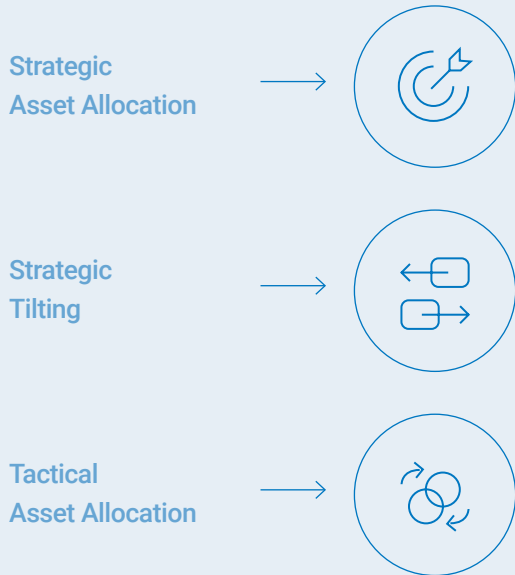
KIC invests in traditional and alternative assets. Traditional assets include listed or highly liquid financial assets such as equities and fixed-income investments. Alternative assets, which can capture risk premiums associated with illiquid investments, include private equity, real estate, infrastructure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



KIC's Asset Allocation System



Asset Allocation

KIC is strengthening the role and function of asset allocation in consideration of financial market conditions, the characteristics of each asset class, investment horizon and other factors to achieve its investment objective. We hold an asset allocation forum every quarter to integrate top-down and bottom-up views from various investment departments and formulate a house view to ensure a reliable asset allocation process.

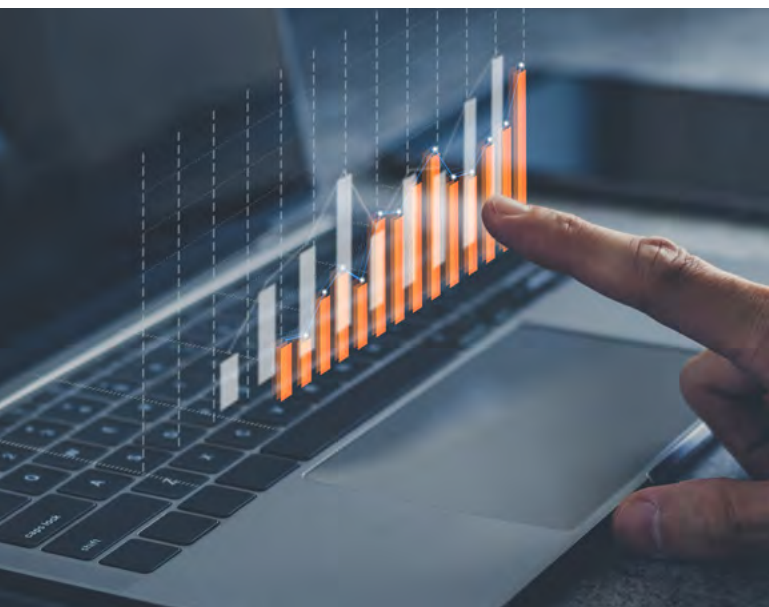
KIC's asset allocation system consists of strategic asset allocation, strategic tilting and tactical asset allocation, which are implemented according to investment horizon and role.

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.



Risk Management

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

We also set risk limits in accordance with a risk management policy approved by the Steering Committee, KIC's highest decision-making body, and regularly check compliance with these limits.

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 and the heads of the Investment Strategy & Innovation, Public Market and Alternative Investment divisions

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 groups

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 groups

Investment Process

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

01 Set investment goals

- Set long-term investment goals to preserve and increase the value of sovereign wealth



02 Conduct macroeconomic and capital market analysis & discover new asset classes

- Carry out mid- and long-term macroeconomic research
- Discover and analyze new asset classes
- Analyze capital market expectations for each asset class



03 Implement strategic asset allocation

- Analyze the risk-return profile and investment constraints for each sponsor
- Set optimal asset allocation rules to improve long-term returns



04 Establish investment management plans

- Analyze and forecast mid- and short-term financial markets
- Establish mid-term and annual management plans based on the economic outlook and financial market forecast



05 Execute investment strategies

- Execute an asset allocation strategy based on house views decided at quarterly asset allocation forums
- Preemptively analyze risks according to financial market circumstances and reflect them in the overall portfolio
- Establish and implement investment strategies within risk limits for each asset class and fund investment



06 Monitor and analyze performance

- Analyze ex-post risks and performance factors for the entire portfolio and individual investments
- Correct setbacks and reflect improvements based on performance and process monitoring

Traditional Investments

Traditional investments, which make up the core of KIC's investment portfolio, consist of equities, fixed income and asset allocation. They play a pivotal role in achieving KIC's investment objectives.

Traditional investments, including equities and fixed income, account for 77.2% 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 2022 was 4.06%.

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. Since 2019, our investment managers have been regularly engaging in in-depth discussions through KIC's Asset Allocation Forum, the results of which are actively taken into account in our investment decision-making.

Each investment group aims to generate excess returns through using a wide range of strategies. The Asset Allocation Group derives the expected rate of return for each asset class based on the financial market outlook and determines optimum allocations in consideration of companywide risk levels, contributing to the achievement of KIC's absolute return targets.

Through various 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 analyzes global macroeconomic research from various perspectives to ensure effective asset allocation. Through considering the economic structures and political and social issues of major countries, we lay the groundwork to actively respond to changes in the investment landscape. We use the analysis for short-term market responses and to build our portfolio in the mid- and long-term.

Our regional managers also actively communicate and consult with one another, which allows for the mutual verification of investment ideas. We build a strategic portfolio based on the global economic and market outlook derived through this process, contributing to long-term returns.

Equities

KIC conducts research on equities in developed and emerging countries and makes long-term investments in companies that are undervalued relative to their long-term intrinsic value. While focusing on generating excess returns in accordance with investment guidelines, we manage our portfolios in consideration of various risk factors, such as changes in the macroeconomic environment.

More specifically, we pursue stable and sustainable returns through building a balanced portfolio of fundamental and quantitative strategies and of direct and indirect investments.

The fundamental strategies for direct equity management of KIC's Equity Investment & Strategy Group and the Global Equity Investment Group aim to achieve excess returns through analyses of the intrinsic value of individual companies. Formed in 2022, the Global Equity Investment Group has strengthened KIC's sector-investing system with the global strategies already in place to help drive stable long-term performance. Our New York and London offices as well as headquarters run region-specific portfolios for the locally focused global investment strategy.

The indirect equity investments of the Equity Investment & Strategy Group seek to generate excess returns by making diversified investments based on various investment philosophies. The group maintains portfolio diversity and balance while focusing on long-term investments to achieve excellent performance. It also strengthens KIC's role as an institutional investor by incorporating ESG considerations into the portfolio.

For quantitative investments, the Quant Equity Investment Group works to develop KIC's direct investment capabilities long-term. It has built a global portfolio management and trading system through benchmarking advanced systems overseas. After starting with a passive strategy in 2008, the group adopted a quantitative alpha (excess return) model through which investment decisions are made using algorithms based on mathematical and statistical models. It uses an enhanced strategy to improve cost efficiency and returns.

To proactively respond to changes in the global investment landscape, the group is also building a unique management platform based on big data and machine-learning technologies, in addition to reinforcing ESG and thematic strategies. The group broadly applies advanced strategies expected to have diversification effects. It also runs a quota program that entrusts domestic securities firms with overseas stock trading orders as part of a continued effort to induce growth in the domestic finance industry.

Fixed Income

KIC invests in sovereign bonds, government-related bonds, corporate bonds and securitized bonds in various countries and currencies. The aim is balanced portfolio management that effectively uses market, credit and liquidity risks by integrating bottom-up investments based on specialized investment capabilities by region and sector and top-down investments based on comprehensive judgments of the global market. We also seize diverse investment opportunities in the global fixed-income market based on collaborations between headquarters and overseas offices and the synergies generated from the integrated management of direct and indirect investments.

In response to rising volatility in the financial markets, the Fixed-Income Group has focused on achieving stability for the directly invested fixed-income portfolio through region- and sector-based asset allocation strategies. For the stable generation of excess returns over the medium to long term, we continue to pursue new excess return sources by introducing new investment products and techniques and developing and using analytical models.

To strengthen its external fixed-income portfolio, the group has used new strategies that take advantage of various investment opportunities in the fixed-income market, pursued active management, selected new asset managers and carried out rebalancing. It prepares for market changes over the medium to long term by continually monitoring the market and enhancing its risk-analysis capabilities.

Tactical Asset Allocation

KIC has set up a process to establish and implement tactical asset allocation strategies for the entire traditional asset portfolio. Tactical asset allocation aims to adjust asset class weights through spot allocation, hedging strategies and alpha strategies and to respond to short-term market volatility while managing total return volatility across traditional assets and improving returns.

As financial market volatility increased in 2022, KIC continued to develop quantitative analysis indicators based on scenario, economic and market data analysis and strengthened our portfolio management and risk analysis systems.

Alternative Investments

Alternative investments help KIC achieve excellent returns as a long-term investor by diversifying overall portfolio risk and capturing an illiquidity premium.

Alternative investments play a critical role in diversifying overall portfolio risk and increasing investment efficiency due to their low correlation with traditional investments.

KIC started investing in alternative assets in 2009 with private equity and steadily broadened the 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.

KIC also continues to expand and strengthen its network with leading sovereign wealth funds, pension funds and asset managers worldwide. This has helped identify promising investment opportunities and boost returns through co-investments. From the first alternative investment in 2009 to the end of 2022, we have achieved an annualized investment return on alternative investments of 8.23%.

Private Equity

Private equity, which allows for illiquid, growth-oriented long-term investments within the alternative asset portfolio, is a strategy that provides a higher return than do other asset classes. KIC established its 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 GPs in 2011, diversifying our portfolio by region and strategy.

Our venture investment program, the KIC Venture Growth (KVG) fund, aims to deal with industry paradigm shifts and identify excellent tech assets early on. KIC is also actively reviewing direct and co-investment opportunities based on various strategies within the private equity asset class, selecting promising investment opportunities, building investment analysis capabilities and strengthening partnerships with top managers.

In 2022, investor confidence in the global private equity market shrank from the previous year due to uncertainty in the external environment, concerns of an economic downturn and liquidity issues for major institutional investors caused by the stock market correction.

KIC's response is to build a geographically and strategically diversified portfolio, primarily focusing on cyclical, blue-chip assets, to earn solid long-term returns. We also plan to expand our private debt investments, which can generate stable cash flows through lending to blue-chip companies.

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Korea Investment Corporation Takes a Direct Stake in Golub Capital

The Korea Investment Corporation (KIC) acquired less than a 5% passive, non-voting equity stake in New York-based direct lending firm Golub Capital LLC. Golub Capital is also one of KIC's external fund managers. This marks KIC's first direct equity investment in an asset manager. KIC's stake represents an economic interest in Golub Capital's management companies of less than 5%.

KIC is undertaking a large push towards private equity and private credit and seeks to expand opportunities for direct investments and co-investments.

"We are pleased to expand our relationship with Golub Capital," said Seoung-ho Jin, CEO of KIC, in a press release. "This investment reflects our confidence in Golub Capital as a preeminent private credit asset manager. As a long-term investor, we believe our strategic partnership with Golub Capital will help us continue to diversify KIC's alternative asset portfolio and to deliver strong long-term investment performance."

"We are honored by KIC's confidence in our direct lending franchise," said David Golub, President of Golub Capital. "KIC is a world-class institutional investor with a distinguished long-term track record. Our strategic partnership with KIC provides Golub Capital with more resources to advance our mission to be the best in sponsor finance. We look forward to a long future of shared success."

Source: 22. 12. 9 SWFI



Real Estate

Real estate is one of the main alternative asset classes that can help diversify our 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.

In 2022, the real estate market saw an overall decline in transactions as well as price correction due to uncertainty in the external environment and steep rate hikes by central banks.

Among sectors, logistics and residential assets performed well thanks to solid demand, while flight-to-quality resulted in varying investment performance when it came to office facilities, depending on the location and condition of the asset.

KIC responded to changing market conditions by investing more in logistics and residential facilities, where inflationary costs can be passed on due to high demand and short lease periods. At the same time, we diversified our portfolio by expanding investments with market-leading GPs across regions.

Given the uncertain global economic outlook and continued high interest rates, KIC will review and execute investments more cautiously in each region while strengthening asset management activities. Also, with investment opportunities in distressed assets expected to grow with rising interest rates on real estate loans, KIC is considering investing selectively in these assets. We will also continue to seek private debt investment opportunities in real estate, which can generate steady cash flow.



Infrastructure

Infrastructure assets generate long-term, predictable cash flows by providing facilities and services essential to society. They are also suitable for long-term investments due to their ability to hedge against inflation, as income generated from holdings also increases with rising prices.

Since our first infrastructure investment in 2010, we have built a portfolio diversified across geographies including North America, Europe and Asia and across sectors including renewables, communication and transportation.

Despite ongoing market uncertainty, infrastructure continues to be in demand as a defensive asset against macroeconomic pressures. Alongside the growth of the infrastructure market, fundraising amounts have increased year-on-year and funds are expanding as well.

In 2022, the global infrastructure market brought more opportunities for investments in energy transition infrastructure, in line with a strengthening of energy security and expansion of carbon reduction obligations globally. Investment opportunities have also been growing in digital infrastructure to meet growing demand for data and in healthcare infrastructure in response to demographic changes.

Considering these market changes, KIC committed to a new strategic mid-market fund in 2022 and swiftly seized new investment opportunities. We invested in healthcare infrastructure in Australia and New Zealand, where demand is expected to rise in the mid to long term, and telecommunications infrastructure in North America and Europe that generate stable sales based on long-term contracts.

KIC plans to build an infrastructure investment portfolio that can generate stable mid- to long-term returns while staying one step ahead of changes in the global market.

Hedge Funds

With hedge funds, our management strategy is to seek absolute returns by investing in assets that have a relatively low correlation with market volatility. Hedge funds also have low correlations with traditional assets as well as other alternative assets, such as 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.

Even in rapidly changing market conditions, the portfolio has generated steady absolute returns while maintaining a low correlation with traditional assets.

In 2022, KIC supported the overseas hedge fund investments of domestic financial institutions by, among other things, participating in more joint ventures with them. With our diverse hedge fund investing experience, and through showcasing our management capabilities, we are helping lead the development of the domestic finance industry.

Going forward, we plan to build a portfolio centered on absolute return strategies that take advantage of arbitrage opportunities in the market, such as equity L/S, event-driven and fixed-income arbitrage strategies, in consideration of rising interest rates, increased market volatility and other changes in the financial environment.

Investment Stewardship and Sustainable Investment

At KIC, we are expanding sustainable investments, which take into account environmental, social and governance factors, to pursue long-term and stable returns. In doing so, we also contribute to the sustainability of Korea's national wealth.

Stewardship and Sustainable Investing

KIC established Stewardship Principles in 2018 to set clear goals for our stewardship activities. The Principles also mark our commitment to elevating our role as Korea's sovereign wealth fund through sustainable investment practices that integrate non-financial metrics, including ESG factors. In a global context, the Principles symbolize KIC's alignment with the focus on sustainable development throughout global capital markets.

In 2019, KIC added a sustainable investing article to its Investment Policy, which guides our investment activities, and drafted the KIC Sustainable Investment Guidelines. At the legal level, Korea's National Assembly revised the Korea Investment Corporation Act in March 2021 to provide a basis for our commitment to sustainable investing. Adhering to laws and regulations in our pursuit of stable, long-term returns, KIC integrates ESG factors throughout the investment process.

ESG Integration

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

We have integrated ESG factors across our traditional and alternative asset portfolios, in both direct and indirect investments. And through checking ESG factors that can impact the value of investment targets and taking necessary measures during the investment process, we aim to enhance long-term asset value and returns. We do all this in the following ways.

First, KIC engages in ESG investing, which considers ESG factors as key investment ideas. We have three ESG strategy equity funds and nine green and social projects as alternative assets. We are also making green, social and sustainable bond investments and have ESG-themed quant sub-strategies that integrate ESG factors at the portfolio level.

Second, KIC conducts ESG reviews to examine the ESG-related aspects of all our traditional and alternative asset managers as well as our direct, joint and indirect alternative investments. We use ESG questionnaires and on-site inspections to check a company's ESG policy and whether it is reflected in the investment process. We also review the ESG factors of individual projects from multiple perspectives and reflect the findings in our investment decisions.

Third, KIC actively reviews and deals with climate change risks. We identify and scrutinize carbon emissions at the portfolio level for our equity and fixed-income investments. We also expanded the scope of this review to analyze climate scenarios, disclosing the results using TCFD standards in KIC's 2022 Sustainable Investment Report.



Fourth, KIC is limiting the proportion of investments in companies with low ESG rankings through using a special watchlist and running an ESG program that includes a strategy to avoid investing in specific themes and industries deemed problematic in terms of ESG.

Going beyond the mere reinforcement of policies, KIC has been using sustainable investing as an investment strategy since April 2019, actively operating ESG strategy funds. Based on equity benchmarks, we have selected ESG indices after adjusting weightings in consideration of ESG factors. In what was a first for Korea, we introduced a global ESG strategy fund that follows the indices. With this approach, KIC has expanded investments in companies that effectively manage ESG risks, and we achieved excess returns compared to the equity benchmark until May 2021.

Since then, KIC has increased investments in and diversified into ESG core and ESG global strategies. As of the end of 2022, and since the establishment of the funds, we have achieved excellent returns compared to the equity benchmark. We plan to closely monitor ESG strategy fund performance based

on long-term performance and continuously discover new strategies to establish an advanced ESG investment strategy.

KIC also invests in green and social projects with the proceeds of the Korean government's green and sustainable bonds entrusted us (Ministry of Economy and Finance) in June 2019 and October 2021. After executing these investments, we examine and disclose their environmental impact, including carbon dioxide and greenhouse gas emission reductions and renewable energy generation, in addition to their social impact, including job creation and usage of medical and educational outreach. Through these efforts, KIC aims to boost investor confidence in the Korean government's green and sustainable bonds, drive global ESG investment growth and, over the long-term, contribute to attaining the UN Sustainable Development Goals.

Going forward, we will continue to strengthen our ESG analysis and sustainable investing capabilities and apply them across our investment process and portfolio. We strive to increase returns, have a positive impact on the environment, promote sustainability and ultimately have our sustainable investment model become a global best practice.

ESG Overview (As of the end of 2022)

	ESG-dedicated Investing		ESG Integration – Portfolio level		ESG Review	ESG Program	
Strategy	ESG Strategy Fund	Green & Social Project	Quant ESG Sub-Strategy	GSS Bonds	ESG Review for Traditional and Alternative Investments	ESG Special Companies Program	KIC Exclusion Strategy
Content	ESG Core and ESG Global Strategy Funds	Investing proceeds of government Green & Sustainability Bond	Over (under) weighting high (low)-ESG score names	Investing in green, social & sustainability bonds	Reviewing external managers and alternative investments	Limiting exposures to low-ESG score names (under BM weights)	Excluding particular industries and themes
Application (inception)	EQ external management (April 2019)	Direct/indirect AI (June 2019)	Direct quant (EQ) investments (June 2020)	Direct/indirect FI investments (April 2012*)	KIC's entire portfolio (Jan. 2020)	Direct EQ/FI investments (Nov. 2019)	KIC's entire portfolio (March 2021)

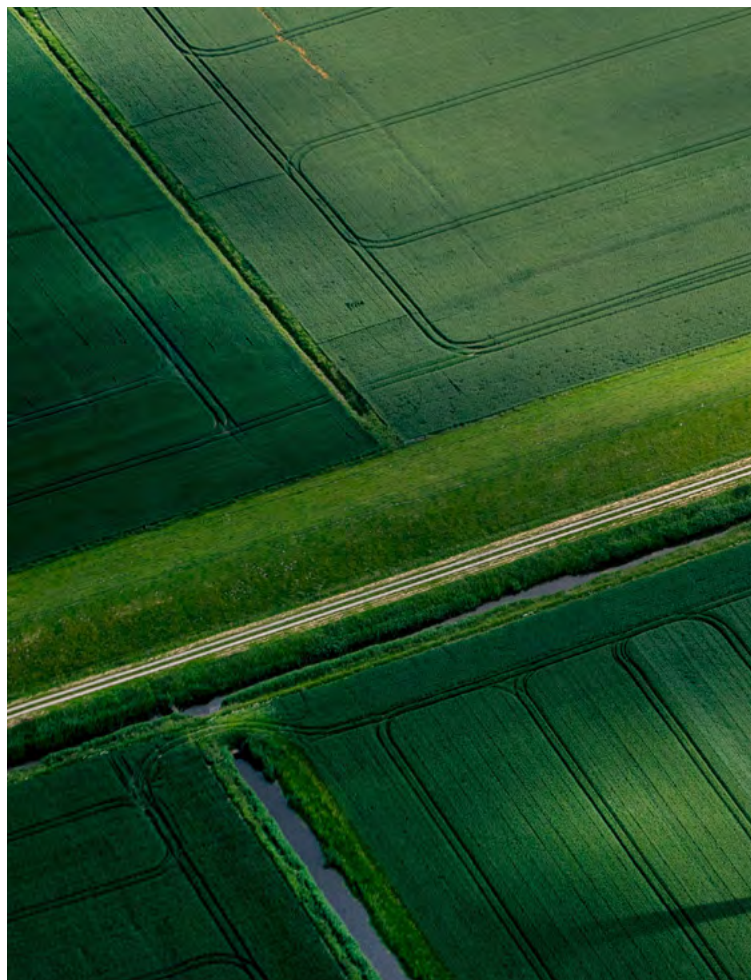
* Date of first direct purchase of GSS bonds

Stewardship Activity

Shareholder voting is an integral component of stewardship and a way to monitor business activity and corporate governance to ensure long-term shareholder value. KIC exercises its shareholder rights in line with the KIC Stewardship Principles. For direct investments, we exercise our shareholder rights through a global stewardship manager we selected in December 2019 for its expertise and independence. For indirect investments, we vote through our external managers. We keep a comprehensive record of all our voting activity and results, striving to drive long-term value in our investments.

Shareholder engagement is a process that encompasses management discussions, written communications, investor reports and any other activity that takes place between a business and its investor. Engagement activities tend to lead to an improvement in business results, enhancing corporate value over the long term.

As a Korean sovereign wealth fund and global investment institution, KIC considers the UN Sustainable Development Goals (SDGs) in its shareholder engagement process. By monitoring the progress of activities related to the SDGs, including the status of initiatives and important themes, KIC contributes to enhancing the value of invested companies.



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



Partnerships

KIC has actively established sustainable investing partnerships with institutional investors in Korea and abroad. In 2019, KIC became the first Korean institutional investor to join the International Corporate Governance Network (ICGN). In 2020, we joined the One Planet Sovereign Wealth Funds (OPSWF), an initiative to respond to climate change. We were the first Korean public institutional investor to pledge support for the Task Force on Climate-related Financial Disclosures (TCFD). And in 2022, we joined the UN Principles for Responsible Investment (PRI), the world's largest responsible investment initiative to promote ESG investment. In these ways, we continue to expand partnerships with global institutional investors through exchanges centering on responsible investment.

Additionally, following the 26th UN Climate Change Conference (COP26) in 2021, KIC signed a Memorandum of Understanding (MOU) with the UK Department for International Trade to seek green and ESG investment opportunities in response to climate change. KIC is also the first Korean public institutional investor to publish a Sustainable Investment Report.

Finally, KIC holds an annual KIC ESG Day to promote the exchange of ESG investment information among domestic institutional investors as well as sustainable investment-focused communication. In 2022, the 4th KIC ESG Day focused on green technology and recently spotlighted investment cases, with overseas investment managers and ESG officials from the domestic public sector participating. Our work has sparked interest in ESG and deepened sustainable investment expertise across the industry, inspiring lively discussion around the ESG developments of not just KIC, but also partner institutions.

Risk Management

KIC proactively responds to market risk factors while effectively managing the risk of investment loss through systematic risk management activities.

KIC aims to control investment risk within certain limits and appropriately manage potential losses. We have in place 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 deliberates on and makes decisions regarding risk management policy while the Board of Directors (BOD) allocates risk limits and establishes 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.

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.

To ensure the independence and autonomy of the risk assessment and investment monitoring processes, the Risk Management unit is strictly separated from the Investment Management unit.

Risk Management by KIC



Market Risk

- Manage the risk levels of excess returns on traditional assets, including equity and fixed-income investments, based on benchmarks designated by sponsors



Derivatives Risk

- Invest in derivatives on a limited basis to enhance returns and make portfolio adjustments



Alternative Investment Risk

- Designate allocation limits for external managers relative to the total net value of alternative assets and for each asset class
- Monitor the degree of investment concentration by region, strategy, sector and vintage



Operational Risk

- Prevent financial losses arising from risks associated with inappropriate internal processes, employees, systems and external factors



Credit Risk

- Include securities-related credit risks and counterparty credit risks



Legal Risk

- Review legal risks associated with the management of entrusted assets prior to all investments; use a post-management system to ensure protection of investor rights and mitigate legal risks



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 2022, the ex-ante T/E (minimum - maximum) for KIC's total portfolio was 30~160 bps and managed within limits. The tracking error for equity was within 54~75 bps and for fixed income, 21~69 bps. A key source of alpha generation, these tracking errors are effectively allocated and managed across investment strategies.

KIC also measures and monitors indicators including Value at Risk (VaR) and Conditional VaR, which estimate portfolio volatility for the management of absolute returns from an asset allocation perspective.

KIC uses stress test techniques as well to prepare for risks in various situations. The stress tests for extreme situations take into consideration not only simple historical scenarios but also the impact of such hypothetical scenarios as a surge in inflation on the performance and correlation of each asset class, such as equity, fixed income and alternative assets, and geopolitical variables such as a prolonged war and changes in Covid-19 response policies on portfolios. This helps KIC

estimate investment loss from various perspectives and take it into consideration when making investment decisions. To compensate for the limitations of the quantitative model, model backtesting is used to check the validity of the risk model and auxiliary indicators such as CoVaR and tail beta during the stress period are calculated and monitored.

KIC also designates investment-eligible asset classes, sets risk limits for the weights of asset classes, countries, currencies and industries and establishes allocation limits for each outsourced manager and ranges for bond duration. We also work to continuously improve our risk management system by identifying current related issues through online meetings with global institutions and more. Lastly, we closely monitor financial market trends by reviewing key market risk factors and analyzing their implications from a risk management vantage point.

KIC constantly monitors individual fund returns. If a fund underperforms the benchmark by a certain degree, we review the underlying reasons and prepare solutions. When implementing these solutions, we look at how certain factors impact not just the fund in question, but our portfolio as a whole to conduct comprehensive inspections and continuously improve our risk management process.

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 Group designates allocation limits for external managers relative to the total commitments of our alternative assets and for each asset class. For diversification purposes, the group also monitors the degree of concentration by region, strategy, sector and vintage.

The Risk Management Group reviews the risk factors of each investment project before making an investment decision and presents its opinion independently to the Investment Committee. For major investments such as direct investments, it jointly participates in on-site due diligence and carries out risk reviews following deliberation by the Risk Management Working Committee.

Post-investment, the Risk Management Group monitors investments based on the profit and loss level of each project. The group has also adopted and integrated Public Market Equivalent analyses, analyses of alternative investment market indices, relative performance comparisons by vintage year, quantitative model analyses for the alternative investment portfolio using private market risk factors and analysis of the key risk indicators of individual investments.

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 to regularly monitor counterparty risks.

To respond to high volatility and liquidity risks in the financial market in 2022, KIC monitored counterparty credit risks in various ways, including an in-depth analysis of counterparty credit risks related to securities lending and the liquidity of collateral.

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. We also check the transaction status and exposure management status of each counterparty to ensure effective investment data integration and monitoring.

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.

Legal Risk

To prevent and manage legal risks, KIC reviews 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.

As KIC seeks to diversify its alternative asset portfolio and increase the proportion of direct and co-investments, we are conducting more detailed and systematic legal reviews according to the characteristics of each asset class and investment strategies and types. We are also making a multifaceted effort to manage legal risks through, for example, analyzing domestic and foreign laws and regulations and their amendments on various issues to effectively respond to potential legal disputes.

KIC continues to build its in-house legal capabilities by expanding its pool of professionals, promoting company-wide knowledge sharing and more widely pursuing information exchanges with related organizations. Through cooperation with Korean law firms, we also strive to contribute to the development of the Korean financial industry.

Securities Lending

KIC lends securities using a systematic procedure and in a stable and secure manner, generating additional returns.

KIC started its securities lending operations in May of 2007.

We lend securities to high-credit institutions through our custody lending agents. And we run our securities lending program flexibly, according to portfolio asset volume, management schedule, market conditions, etc., through consultations with these agents.

To manage risks, we oversee compliance on a daily basis, block trades with countries of high settlement risk and monitor the status of borrowers based on systematic procedures.

To prevent losses from the lending of securities, our lending agents hold collateral from borrowers in securities and cash on KIC's behalf. They also independently manage the cash collateral funds within KIC's guidelines for liquidity and risk, contributing to additional returns.



Support for the Domestic Finance Industry

KIC shares the advanced management know-how it has gained through diverse global investment experiences with domestic financial institutions, helping strengthen Korea's finance industry.

PCOI

In April 2014, KIC launched the Public Community for Overseas Investment (PCOI) to bolster the overseas investment capabilities of the domestic 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 2022, the PCOI convened four times online and in a hybrid online-offline manner to discuss the post-pandemic financial market outlook, infrastructure investment strategies in a carbon-neutral era, private equity growth capital, green (climate) technology and global investment cases.

The PCOI has 26 member institutions, including KIC, as of 2022. Through this platform, KIC will continue to offer member institutions partnerships and support.

Highlights of the Public Community for Overseas Investment in 2022

- **Feb. 25** Post-pandemic financial market outlook in 2022
- **May 27** Infrastructure investment strategy in the Zero Carbon era
- **Sept. 15** Private Equity Growth Capital
- **Dec. 9** Green (climate) technology and global investment cases



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Members of the Public Community for Overseas Investment

<p>Chair</p> <p>KIC Korea Investment Corporation</p>			
<p>Member</p> <p>CWA Construction Workers Mutual Aid Association</p> <p>국제금융센터</p> <p>NH NongHyup</p> <p>S SGI서울보증</p> <p>KBIZ Korea Federation of SMEs</p> <p>KHNP</p> <p>한국지방재정공제회 LOCAL FINANCE ASSOCIATION</p>			

IFCC

KIC established the International Financial Cooperation Council (IFCC) on the basis of its overseas offices in the financial centers of New York, London, Singapore and San Francisco. The aim is to share investment information and form partnerships with Korean public and private investment institutions in those regions. This network of leading global investment institutions also helps KIC gain a balanced view of major financial, investment and economic trends and strengthen its investment capabilities.

The IFCC was launched in New York in November 2017, London in February 2018, Singapore in August 2019 and San Francisco in September 2022. The New York office holds meetings monthly, the London and Singapore offices quarterly and the San Francisco office semiannually. 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.

KIC shares information on global financial market trends and promising investments through the IFCC. We also plan to collaborate on joint investments when great opportunities arise and make inroads into local markets with leading investors.

International Finance Academy

In 2022, KIC launched the International Finance Academy to grow the pool of asset management professionals in Korea. Top domestic experts with vast experience in overseas asset management give seminars through the academy. In 2022, seminars were given on topics including overseas alternative investment strategies by asset class, alternative investment taxation, alternative investment contracts, risk management, asset allocation strategies and venture capital for 71 asset managers from pension funds, mutual aid associations and public financial institutions.

KIC plans to grow the International Finance Academy based on the know-how and network it has gained in the global asset management market. We will continue to discover seminar topics that meet attendee needs and increase the number of participating institutions to help develop the domestic finance industry.

IFCC Members

New York (39 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 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 Re insurance Company, Hyundai Marine & Fire Insurance, DB Insurance, Seoul Guarantee Insurance Company, Hanwha International LLC (U.S.), Korea International Trade Association and Mastern America

London (22 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, Nonghyup Bank, Mirae Asset Securities, Samsung Securities, Korea Investment & Securities, NH Investment & Securities, Kyobo Life Insurance, Samsung Fire & Marine Insurance, Korean Re insurance Company, Hyundai Marine & Fire Insurance and Samsung Asset Management

Singapore (25 members)

Korea Investment Corporation, Embassy of the Republic of Korea to the Republic of Singapore, National Pension Service, Korea Exchange, Korea Development Bank, The Export-Import Bank of Korea, Korea Trade Insurance Corporation, Korea Housing Finance Corporation, KB Kookmin Bank, Woori Bank, Shinhan Bank, KEB Hana Bank, Mirae Asset Securities, Korea Investment & Securities, Pinetree Securities, KB Asset Management, KIARA Advisors, NH Absolute Return Partners, Midas Asset Management, Hanwha Asset Management, Timefolio Asset Management, Korea Investment Partners, IGIS REIT Management, Korean Re insurance Company, Samsung Fire & Marine Insurance

San Francisco (9 members)

Korea Investment Corporation, Korea Development Bank, Korea Venture Investment Corp., HL Mando Corporation, Samsung Venture Investment, Hanwha Asset Management, GS Futures, LG Technology Ventures, SK Discovery



Global Network

Through close partnerships with sovereign wealth funds, pension funds and other global financial institutions, KIC continues to make strides toward becoming a leading sovereign wealth fund.

KIC continues to build a broad and tight-knit network with sovereign wealth funds, pension funds and other financial institutions around the world. This network is at the heart of

our ability to access valuable investment information and promising investment opportunities and secure an advantage in investment negotiations.

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KIC to ramp up ESG efforts by signing UN-supported framework

The sovereign wealth fund is taking steps to align its portfolio to higher ESG standards by becoming the second Korean asset owner to join the UN-supported framework.

The Korea Investment Corporation (KIC) is aiming to become a signatory of the UN-supported framework Principles for Responsible Investment (PRI) in a bid to expand its sustainable investing agenda both internally and through global partnerships, the sovereign wealth fund announced on October 5.



KIC established its own stewardship principles in 2018 and has been fully ESG (environment, social and governance) integrated since 2020, meaning that ESG considerations are applied to entire assets across all asset classes.

By being a PRI signatory, KIC expects to strengthen its ESG investing capabilities with better access to global experts and international institutions, a spokesperson told AsianInvestor.

These steps have also had an impact on KIC's investment strategy. Since beginning its ESG push, KIC has enlarged its ESG strategy from global equities to green and social projects based on the green and sustainability bonds issued by the Korean government.

"Also, we've already made [efforts] to exclude some types of themes to strengthen the sustainability of KIC's portfolio. In the future, based on continuing active research on ESG market, we will try to develop ESG strategies and enlarge new investment areas around ESG investment. Also, we are developing a climate change model and will apply it to KIC's whole portfolio," the spokesperson said.

The sovereign wealth fund's assets under management reached \$205 billion as of December 31 2021, thereby exceeding \$200 billion for the first time since its establishment in 2005. Since then, global markets turmoil has reportedly taken a toll on its performance and portfolio value.

Source: Asian Investor, December 1, 2022

Global Network with Sovereign Wealth Funds and Public Funds

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.

UN PRI

In 2022, KIC joined the UN Principles for Responsible Investment (PRI), the world's leading proponent of responsible investment. Established in 2006 under the leadership of the United Nations, it has more than 5,100 members and approximately USD 121 trillion (KRW 174 quadrillion) in assets under management. KIC aims to become a globally leading responsible investor by expanding its global network and honing its responsible investment capabilities through the UN PRI.

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. 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.

ICGN

Established in 1995 as an investor-led organization, the International Corporate Governance Network (ICGN) aims to contribute to long-term value creation and sustainable development by improving corporate governance and stewardship practices. The policy positions of ICGN, guided by the ICGN Global Governance Principles and Global Stewardship Principles, are the standard for global companies' and investors' corporate governance and stewardship codes. KIC became the first Korean investor to join ICGN in 2017 and endorse its global stewardship principles.

Through ICGN, KIC communicates with more than 320 member organizations in 45 countries on stewardship principles and other topics. As a global investor, we strive to comply with the stewardship principles and promote the exercising of shareholder rights and sustainable investment.

OPSWF

Established in 2017, the One Planet Sovereign Wealth Funds (OPSWF) aims to comprehensively address climate change-related financial risks and opportunities from the perspective of long-term asset management. KIC joined the group, now 19 members, in 2020, with French President Emmanuel Macron announcing our membership at the 2020 OPSWF CEO Summit. As an OPSWF member, KIC aims to participate more actively in climate change discussions and better manage investment returns through exchanging best practices.

TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 at the request of G20 finance ministers and central bank governors. The TCFD provides guidelines for businesses and financial institutions to effectively disclose climate-related information. In 2020, KIC became the first public institutional investor in Korea to publicly endorse the TCFD and, at an OPSWF Summit that year, joined One Planet members in making statements of support for driving TCFD recommendations as a global standard. In 2022, KIC conducted a climate change scenario analysis in accordance with TCFD recommendations and disclosed the results of it in our 2022 Sustainable Investment Report.



GOVERNANCE & ORGANIZATION

KIC manages sovereign assets
with an honest and fair system, as well as ethical and transparent management,
faithfully fulfilling its social responsibility for the future of Korea.

Governance

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Steering
Committee

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Executive
Management

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Ethical
Management

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Talent
Development

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Social
Contributions

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Milestones

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Organization
Chart

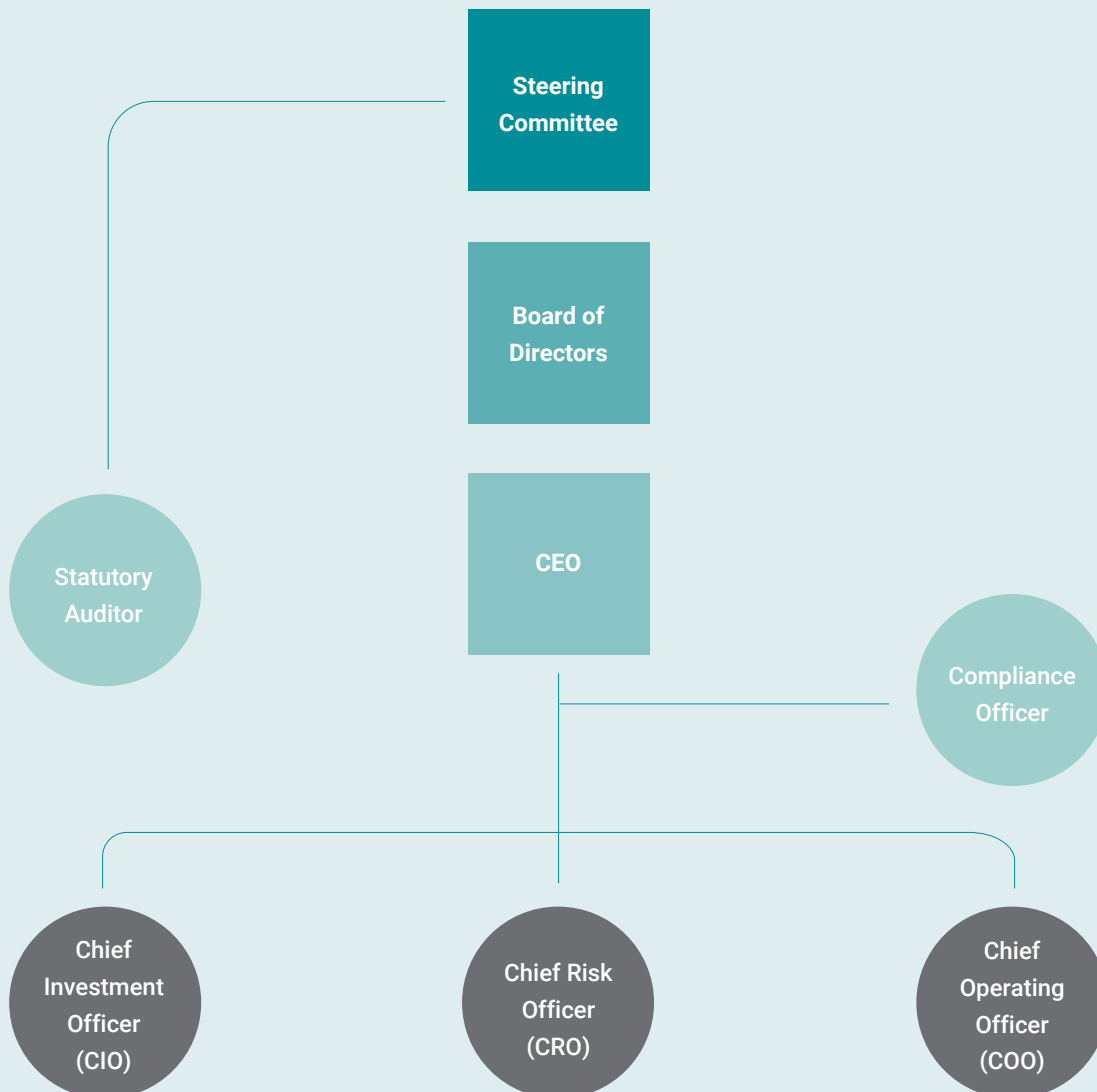
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Governance

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 makes decisions regarding 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, MAIUS Asset Management	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		
Ex-officio members	Ministry of Economy and Finance (Minister)		Member			Member	
	Bank of Korea (Governor)		Member			Member	
	KIC (CEO)		Member	Member	Member		

*As of April 2023

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, MAIUS Asset Management



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 Seunggho 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 • Chief Counsel, Strategy and Finance Committee, National Assembly • 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 Kwangsik Cho Statutory Auditor</p>	<ul style="list-style-type: none"> • B.A., Business, Pusan National University • MBA, International Finance, Hankuk University of Foreign Studies 	<ul style="list-style-type: none"> • CEO, BNK Securities • CEO, KS Investment • Head of Investment Banking, Hi Investment & Securities • Head of Investment Banking, E-Trade Securities • Head of Institutional Sales, E-Trade Securities 	<ul style="list-style-type: none"> • eBEST Investment & Securities <ul style="list-style-type: none"> - Head of IB Headquarters - Head of Corporate Business • LG Investment and Securities • Bank of America
<p>3 Hoon Lee Chief Investment Officer</p>	<ul style="list-style-type: none"> • B.A., Economics, Sogang University • MBA, University of California at Berkeley, USA 	<ul style="list-style-type: none"> • Korea Investment Corporation (KIC) <ul style="list-style-type: none"> - Senior Managing Director, Investment Strategy & Innovation Division - Senior Managing Director, Investment Strategy Group - Managing Director, Asset Allocation Team - Managing Director, Macro Research Team - Managing Director, Industry Research Team 	<ul style="list-style-type: none"> • Korea Investment & Securities Co., Woori Investment & Securities, Samsung Securities Co. Research Centers • Macquarie-IMM Asset Management Department • LG Investment & Securities Research Center • Daewoo Investment Advisory Asset Management Department
<p>4 Hoseok Jung Chief Risk Officer</p>	<ul style="list-style-type: none"> • B.A., Economics, Seoul National University • MBA, University of Rochester, USA 	<ul style="list-style-type: none"> • Bank of Korea <ul style="list-style-type: none"> - Director General, Planning & Cooperation Department - Director General, Mokpo Branch - Director, Reserve Management Strategy Division and Head, External Fund Management Team, Reserve Management Group - Representative Officer, Shanghai Representative Office - Head, International Planning & Cooperation Team and Head, Foreign Exchange Market Team, International Department 	<ul style="list-style-type: none"> - Personnel Management Team, Human Resources & Administration Department - Dispatched officer, International Finance Department, Ministry of Finance and Economy - Reserve Investment Team 1 and Team 3, Reserve Management Department - Personnel Division, Personnel Department - Overseas Research Division and Monetary & Financial Division, Research Department
<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 April 2023



Seoungho Jin

Chairman & CEO



Kwangsik Cho

Statutory Auditor



Hoon Lee

Chief Investment Officer



Hoseok Jung

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 promote our basic management principle of ethical and transparent management companywide.

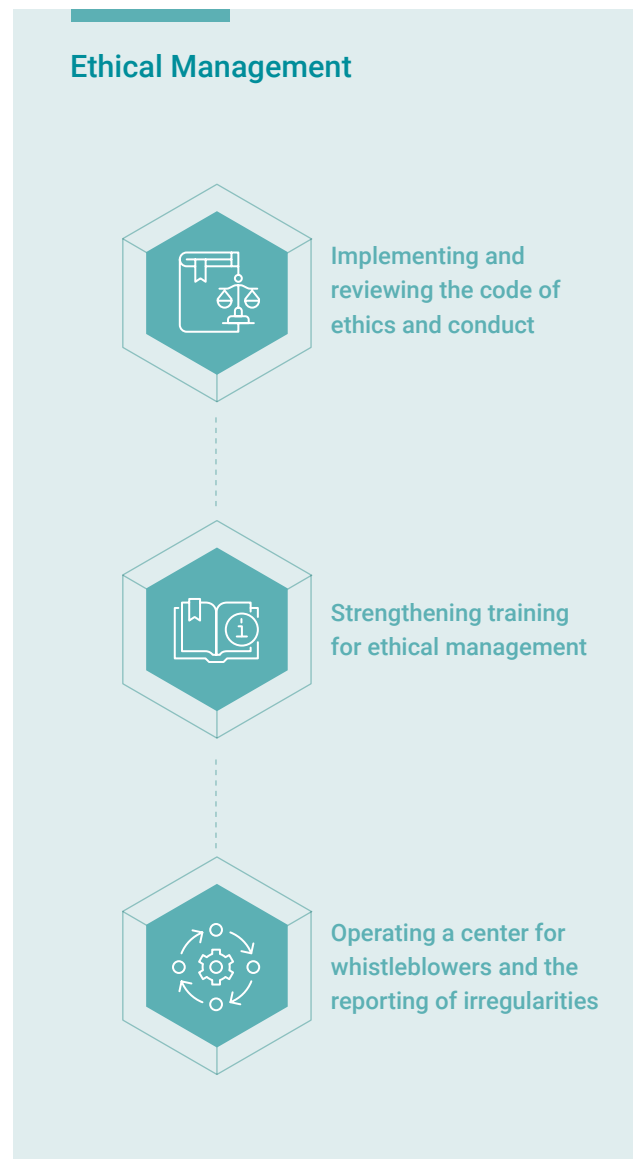
Internal Control

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 reports on a regular basis when seeking to trade financial investment products. KIC's Ethics & Compliance Group also conducts independent monitoring activities, including reviews of emails and trading transactions.

In these and other ways, KIC 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.

Additionally, the Compliance Officer 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

Public Disclosure

In accordance with the Korea Investment Corporation Act, KIC discloses corporate information, including the details and reports 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



Disclosure of Management Information

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



National Assembly Audit

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.



External Audits

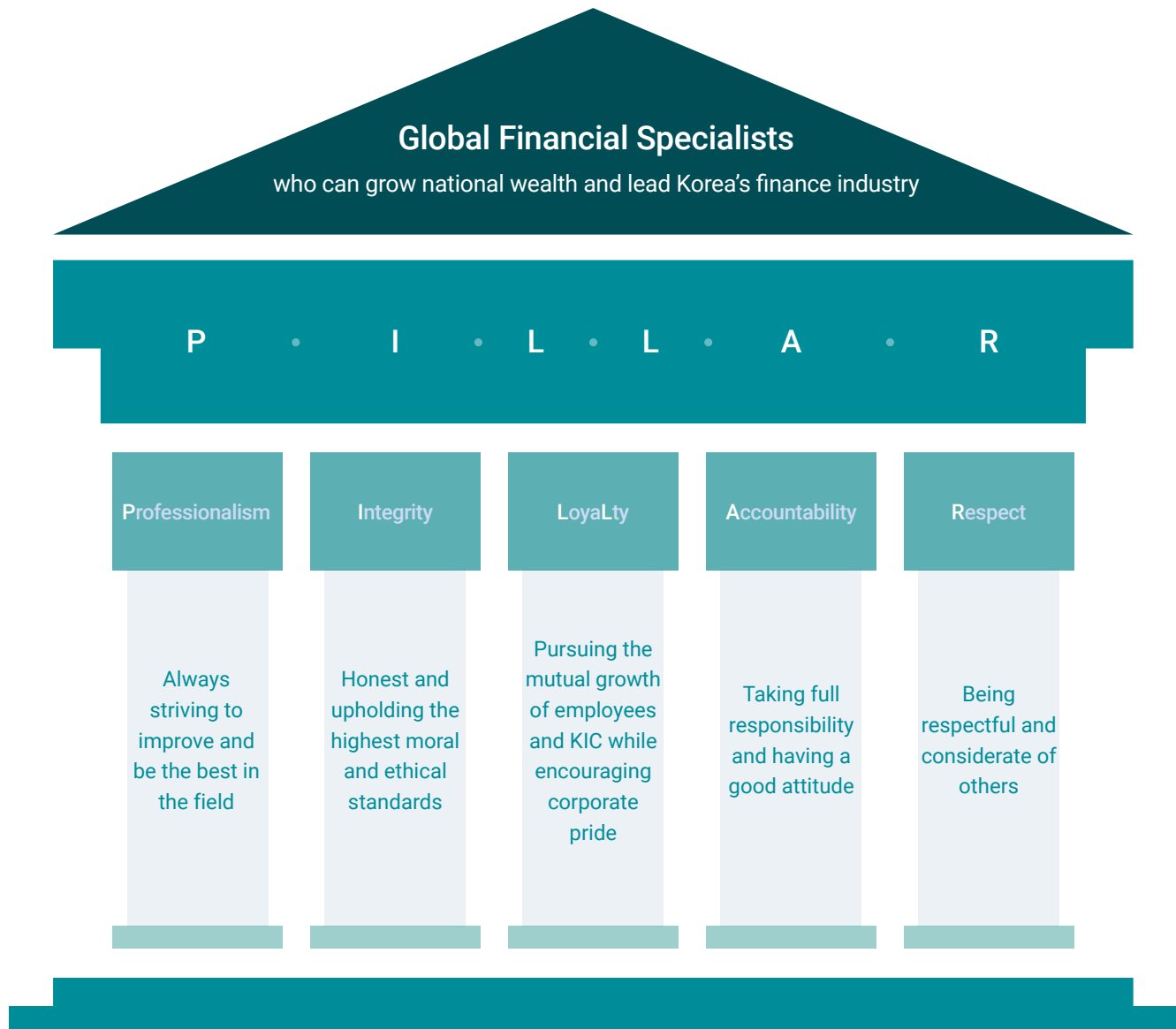
KIC's annual financial statements are audited by an external auditor and compliant with international audit standards. The external auditor is selected by KIC's Statutory Auditor.



Talent Development

Key Attributes of KIC Employees

KIC seeks to nurture global finance 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).




Education & Training

KIC provides high-quality education in a systematic way to nurture professionals who can contribute to efficiently managing Korea's national assets and developing the finance industry, the purpose for which KIC was established. In particular, we support employees as they develop their competencies and careers in a way that fits the various cycles of their lives and job levels and helps them achieve work-life harmony.

Recruitment

KIC strives to grow national wealth and contribute to developing the domestic finance industry by recruiting creative and enterprising talents who can help KIC pave its future in the global financial market. We select new recruits through a fair and transparent blind recruitment procedure to evaluate applicants solely on their job competencies, without the potential bias of knowing where they're from, family relations, academic background and gender. We select applicants with core competencies for the job, such as equity, fixed-income, alternative investment or risk management, with our overseas offices hiring even more people to enhance KIC's global expertise and diversity.

 Message from the CEO | page 11

Training for Every Stage of Life

KIC's new education system supports employees as they pursue work-life harmony while developing their competencies and careers according to their respective life stage and job duty.

Employment

K-Future Program

Training for New Hires

- Education on core values, common competencies, job competencies and organizational culture
- Must complete all levels of the course within the first two years of joining the company
- Global Financial Market Boot Camp, an overseas job training course

Training for New Recruits

- Must complete onboarding training to understand KIC and adapt to the organization
- Operation of an organizational adaptation system (Amigo)

K-Milestone Program

- Training for all employees
- Common competency and job competency courses
- Common competency courses dealing with general business skills are available year-round
- Job competency courses consist of short-term domestic and overseas training, domestic academic training and overseas academic training
- Participants for mid- to long-term and academic training are selected according to an internal selection process and operation plan for each program.

K-Global Program

- Resident employees and locally hired employees
- Operation of a cultural understanding program at overseas offices (local employees can participate)
- Locally hired employees must participate in a program at headquarters every 3 years
- Capacity building courses are run the same way as the K-Milestone Program's common and job competency training
- Guidelines are provided by the department in charge of education and training at headquarters and implemented by each branch office

K-Leadership Program

- 3 levels: Next-generation leaders (level 4 or higher), department heads, executives
- Training for next-generation leaders aims to help them understand the role of middle managers and grow as leaders
- Group coaching available for department heads
- Customized coaching available for executives

K-Happiness Program

- Consists of a self-directed learning support system, personal development support system and humanities program
- Provides a variety of educational courses for staff to achieve work-life harmony



SPECIAL INTERVIEW

Q&A With Some of KIC's Brightest

What kind of a workplace is KIC?

We talked to staff from various departments.

Q Why did you join KIC?

Seunghyun Kim, Senior Manager | If you're looking to invest in global equities as a job in Korea, KIC is the place to be. It's hard to find a global-level institution that invests in overseas equities actively and on a substantial scale in Korea, other than KIC. Plus, if you're responsible for managing investments at KIC, you won't need to do any fund marketing or sales, unlike fund managers at other companies. You can focus on investment management.

Junho Park, Manager | Public institutions are stereotyped as being set in their ways. But with KIC, it's a public institution, but it's also an investment institution that has to deal with a market environment that changes daily. So, unlike other public institutions, it has an active side. That was what appealed to me and prompted me to apply.

Q How did you get to your current role after joining the company?

Sohee Kim, Manager | I wanted to work in alternative investments as soon as I joined KIC. I found infrastructure investments especially interesting because infrastructure affects people's actual lives and I was able to see what was being invested in. Fortunately, I am doing the job I hoped I could because my wishes matched staffing needs.

Q What are some of the most memorable training and capacity-building programs you've experienced at KIC?

Junho Park, Manager | I was hired through an open recruitment, and immediately after joining, I received training in various basic skills, including how to write a business e-mail, for example. It was very helpful for me because this was my first real job. Also, English proficiency is important at KIC, and it was nice that the company helped pay for English classes.

Sohee Kim, Manager | KIC has overseas offices in four global financial centers. I was sent to an overseas office as a new recruit to experience the global market, which I found memorable.

Q What do you think are the pros of working at KIC?

Kwangsoo Choi, Senior Manager | I think the biggest pro is that I pride myself on working for the one and only sovereign wealth fund in Korea. Another strength of KIC is its openness. Some public institutions seem to favor employees hired through open recruitment. However, KIC often hires workers based on their experience and expertise, and I've seen how people from various backgrounds are respected here.

Sohee Kim, Manager | KIC, a leading institutional investor in Korea, receives a variety of investment proposals. This gives us the opportunity to review numerous quality projects and quickly develop our expertise in the process. That is, I believe, the biggest benefit of working here.



Seunghyun Kim, Senior Manager | joined KIC in January 2022 after working at an asset management company affiliated with a conglomerate. He currently manages a balancing fund in the Equity Investment & Strategy Group.



Junho Park, Manager | joined KIC in December 2020 during the 9th open recruitment. He started in the Absolute Returns Group and is currently in charge of calculating and verifying KIC's rate of return in the Performance Analysis Group.



Kwangsoo Choi, Senior Manager | joined KIC in January 2022 after working at a consulting company. He works in the Corporate Strategy Group, where he establishes business strategies, evaluates institutions and more.



Sohee Kim, Manager | was hired in December 2020 during the 9th open recruitment. She is currently responsible for reviewing various investment projects in the Infrastructure Group.

Q What was your most impressive experience at KIC?

Seunghyun Kim, Senior Manager | I remember last year when the Russia-Ukraine war broke out. It happened all of a sudden and things proceeded very quickly, so we all worked frantically. As the removal of Russia from the MSCI index became likely, we scrambled to urgently adjust our portfolio.

Sohee Kim, Manager | I had reviewed an investment in an overseas airport. And later, I happened to use that airport while traveling to do due diligence for another project and experienced the airport from the user's perspective. It was interesting and amazing to see firsthand the investment plan brought to life.

Q Is there a type of work you'd like to try at KIC?

Kwangsoo Choi, Senior Manager | KIC was founded in 2005, and it will celebrate its 20th anniversary in two years, in 2025. I'm in charge of business strategy, and I'll likely be tasked with reviewing KIC's mid- to long-term strategies around that time. I'd like to work on improving KIC's value system and strategic framework so they suit a changing landscape.

Junho Park, Manager | The market benchmark is closely related to performance analysis. There are quite a few benchmark indexes, such as MSCI and FTSE, that are used in the market. In the future, I'd like to become one of the leading benchmark experts in Korea by learning about various indexes and keeping track of revisions whenever they arise.

Q Is there anything you'd like to say to those who may be reading this interview and are considering joining KIC?

Seunghyun Kim, Senior Manager | I think anyone with an open mind would be a good fit at KIC. I'd like to work with people who actively approach new things.

Kwangsoo Choi, Senior Manager | Unlike many other public institutions, KIC is an organization with more specialists with expertise in certain areas than generalists experienced in performing various tasks. If you want to become an expert in a specific field, you'll be satisfied with the work you do here.

Junho Park, Manager | In college, I majored in economics and business administration and learned related concepts like the Sharpe ratio, information ratio and IRR. I never thought I'd put them to practical use, though. It's amazing to be able to apply these concepts at KIC. I think it's one of the few workplaces where you can apply what you learned in school.



Social Contributions

KIC carries out charity and volunteer activities to build a brighter future for coming generations and fulfill its social responsibilities as a public institution.

KIC engages in social contribution activities as part of a commitment to creating a better world.

We carry out systematic and practical social contribution activities in the areas of emergency relief support, human resource development, future building and talent sharing. Since 2021, KIC has been assisting underprivileged children through care and self-reliance programs. In addition, the Social Contribution Committee meets every quarter to review plans for social contribution activities that are in line with KIC’s mission, ensuring KIC can fulfill its social responsibility as a public institution.



KIC Social Contribution

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



Future Building

Sponsoring overseas programs for children and relief/development, participation by KIC’s overseas staff in local volunteer programs and sponsoring organizations and programs serving the public interest





Volunteering in the Hope T-shirt campaign

Talent Sharing

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



Emergency Relief Support

In 2022, KIC increased its social contribution budget to KRW 1 billion and significantly expanded its key initiatives, such as the Didim Seed Account sponsorship program, another program that helps children from shelters acquire qualification certificates and an initiative that helps single-parent families gain self-reliance. The aim was and is to help children and adolescents plan for their economic independence.

KIC also continued serving the underprivileged. We engaged in a wide range of sponsorship activities to support the food deliveries of a social welfare center in connection with the Jung-gu Office in Seoul, the vocational rehabilitation program of a welfare organization for people with disabilities and a Korean culture experience program for teenagers from multicultural families and child heads of households. We also baked bread for homeless individuals and delivered it to them.

On the holidays of Seollal (Lunar New Year) and Chuseok, KIC donated special meals to low-income seniors using the services of the Seoul Senior Welfare Center. Every quarter, we delivered seasonal meals and emotional support items to families taking care of members with disabilities through the Seongbuk Welfare Center. And in May and November, we donated clothes and shoes to homeless individuals near Seoul Station.

KIC continued its sponsorship activities for those with difficulty accessing healthcare as well. Through the Korean Open Doctors Society, we delivered groceries to soup kitchens that suffered a blow from Covid-19 and provided free medical treatment for the underprivileged in Songnim, Incheon. KIC has also annually supported children and teenagers needing medical treatment for cancer or rare intractable diseases. And in response to a forest fire and flood damage in Gyeongbuk and Gangwon provinces in 2022, KIC made a donation to the emergency relief fund to help victims.

Overseas, KIC has been visiting medically underserved areas in Cambodia for medical volunteer activities since 2019. In 2022, we supported the construction of a new public health facility and free healthcare services in Popel Village, Siem Reap.

Finally, KIC staff at headquarters and overseas donated T-shirts with hopeful messages they designed themselves for climate refugee children abroad through the organization Hope Bridge. They also participated in the Lighting Children Campaign organized by the Miral Welfare Foundation to distribute solar lanterns they assembled to children in countries suffering from energy poverty. In these ways, KIC engages in various relief activities abroad each year.



Supporting medical and construction volunteer activities overseas (Cambodia)



Lighting Children Campaign (solar lantern delivery)



Baking bread



PC-sharing event





Human Resource Development

Since 2021, KIC has been focusing on sponsorship programs related to human resource development to broaden educational opportunities for future generations. In 2022, we expanded the scale of support for each initiative.

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, 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.

In 2022, KIC provided education-focused financial aid for children with rare and intractable diseases. KIC also provided college students who had defected from North Korea with an online English education.

Future Building

As an overseas investor, and together with Good Neighbors, KIC sponsored underprivileged children in Asia, Africa and South America and supported overseas relief and development projects to build infrastructure. In 2022, we took part in a wide range of social contribution activities, including expanding the sponsorships of our overseas offices and supporting their volunteer activities as well as providing solar power facilities to countries suffering from energy poverty. Through supporting organizations and programs that serve the public interest, KIC will continue striving to help make the world a better place.

Talent Sharing

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

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

Milestones

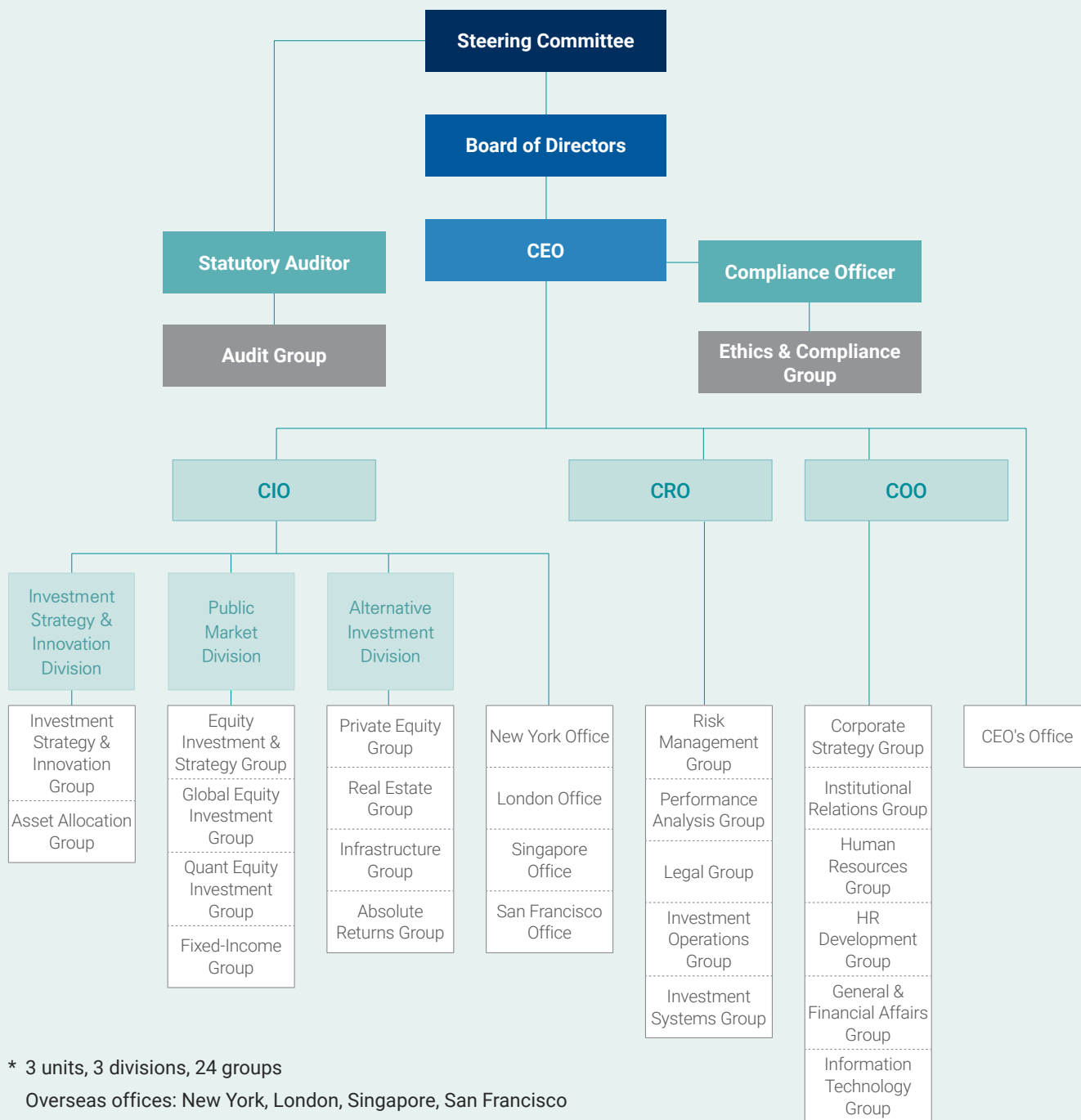
- Aug. 2009** • Began global alternative investments
- Feb. 2009** • Established the Risk Management Division
- Aug. 2007** • Exceeded USD 10 billion in AUM
- April 2007** • Began global equity investments
- Nov. 2006** • Began global fixed-income investments
- July 2005** • Korea Investment Corporation established
- March 2005** • Promulgation of the Korea Investment Corporation Act

- Sept. 2014** • Launched the Co-investment Roundtable Of Sovereign And Pension Funds (CROSAPF)
- March 2014** • Launched the Public Community for Overseas Investment
- Sept. 2012** • Exceeded USD 50 billion in AUM
- Dec. 2011** • Opened the London office
- July 2010** • Opened the New York office

- Oct. 2019** • Exceeded USD 150 billion in AUM
- Dec. 2018** • Adopted the Stewardship Principles
- Sept. 2017** • Opened the Singapore office
- June 2016** • Exceeded USD 100 billion in AUM
- July 2015** • Celebrated KIC's 10th anniversary

- Dec. 2022** • Joined the UN Principles for Responsible Investment (PRI)
- Apr. 2022** • Launched the International Finance Academy
- Dec. 2021** • Exceeded USD 200 billion in AUM
- March 2021** • Opened the San Francisco office
- July 2020** • Celebrated KIC's 15th anniversary

Organization Chart



* 3 units, 3 divisions, 24 groups

Overseas offices: New York, London, Singapore, San Francisco

324 employees (excl. executives, as of the end of April 2023)

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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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 Daejo

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

March 23, 2023

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, 2022 and 2021

Korea Investment Corporation

(KRW thousand)

	Notes	2022	2021
Assets			
Cash and due from banks	4,10	₩ 211,410,023	204,094,998
Accrued incomes, less allowance for doubtful accounts of ₩ 320,468 in 2022 and ₩ 863,121 in 2021	10,15	63,773,152	171,761,056
Securities	5	180,082,966	164,018,926
Property and equipment	6,7	3,811,939	3,953,228
Intangible assets	8	7,725,862	10,123,464
Investments	10	10,672,083	4,225,676
Accounts receivable, less allowance for doubtful accounts of ₩ 786 in 2022 and ₩ 1,194 in 2021	10	156,444	237,696
Loans, less allowance for doubtful accounts of ₩ 163 in 2022 and ₩ 92 in 2021	10	32,399	18,218
Other assets	10	1,150,546	2,098,630
Total assets		₩ 478,815,414	560,531,892
Liabilities			
Accrued expenses	10	₩ 50,054,696	76,230,065
Withholdings		887,762	572,213
Accounts payable	10	1,598,819	1,027,069
Income tax payable	14	13,544,644	38,357,574
Provision for retirement and severance benefits	9	11,149,093	14,786,479
Pension plan assets		(11,149,093)	(14,786,479)
Deferred tax liabilities	14	9,113,642	3,196,329
Total liabilities		75,199,563	119,383,250
Equity			
Capital	1,12	100,000,000	100,000,000
Retained earnings	13	303,615,851	341,148,642
Total equity		403,615,851	441,148,642
Total liabilities and equity		₩ 478,815,414	560,531,892

See accompanying notes to the financial statements.

Statement of Income

For the years ended December 31, 2022 and 2021

Korea Investment Corporation

(KRW thousand)

	Notes	2022	2021
Operating revenue			
Investment management fees	15	₩ 270,694,149	403,712,332
Gain on foreign exchange	10	16,481,287	12,136,720
Interest income		4,518,127	1,649,941
Dividend income		3,906,608	3,971,060
Gain on financial assets at fair value through profit or loss	5	16,064,040	25,030,500
Reversal of allowance for bad debt		547,839	15,522
		312,212,050	446,516,075
Operating expenses			
Fee expenses		(122,010,269)	(153,180,985)
Loss on foreign exchange	10	(11,225,046)	(4,765,600)
Loss on financial assets at fair value through profit or loss	5	-	(227,694)
General and administrative expenses	16,17	(69,218,767)	(77,063,472)
		(202,454,082)	(235,237,751)
Operating income		109,757,968	211,278,324
Non-operating revenue			
Gain on disposal of property and equipment		-	300
Income from pension plan assets		279,796	215,886
Equity income on investments		-	13,520,162
Other income		3,205	19,607
		283,001	13,755,955
Non-operating expenses			
Loss on disposal of property and equipment		(2,718)	-
Donations		(931,068)	(398,498)
Other expense		(1,724)	(2,879)
		(935,510)	(401,377)
Income before income tax		109,105,459	224,632,902
Income tax expense	14	(29,021,521)	(56,609,003)
Net income		₩ 80,083,938	168,023,899

See accompanying notes to the financial statements.

Statement of Changes in Equity

For the years ended December 31, 2022 and 2021

Korea Investment Corporation

(KRW thousand)

		Capital	Retained earnings	Total equity
Balance on January 1, 2021	₩	100,000,000	231,114,880	331,114,880
Dividends		-	(57,990,137)	(57,990,137)
Net income for the year		-	168,023,899	168,023,899
Balance on December 31, 2021	₩	100,000,000	341,148,642	441,148,642
Balance on January 1, 2022	₩	100,000,000	341,148,642	441,148,642
Dividends		-	(117,616,729)	(117,616,729)
Net income for the year		-	80,083,938	80,083,938
Balance on December 31, 2022	₩	100,000,000	303,615,851	403,615,851

See accompanying notes to the financial statements.

Statement of Cash Flows

For the years ended December 31, 2022 and 2021

Korea Investment Corporation

(KRW thousand)

	2022	2021
Cash flows from operating activities		
Net income	₩ 80,083,938	168,023,899
Adjustments for:		
Severance benefits	(1,418,181)	2,527,111
Depreciation	1,362,153	1,105,648
Amortization	2,589,655	2,589,356
Loss on foreign currency translation	4,532,278	70,079
Provision for allowance for doubtful accounts	4,849	263,999
Loss on financial assets at fair value through profit or loss	-	227,694
Loss on disposal of property and equipment	2,718	-
Gain on foreign currency translation	(1,656,917)	(266,977)
Reversal of allowance for bad debt	(547,839)	(15,522)
Gain on financial assets at fair value through profit or loss	(16,064,040)	(25,030,500)
Gain on disposal of property and equipment	-	(300)
Income from pension plan assets	(279,796)	(215,886)
Equity income on investments	-	(13,520,162)
Changes in assets and liabilities:		
Decrease (increase) in accrued income	104,003,584	(52,632,049)
Decrease (increase) in accounts receivable	82,751	3,075,463
Decrease (increase) in deferred tax assets	-	1,912,954
Decrease (increase) in other assets	981,433	(258,620)
Increase (decrease) in accrued expenses	(24,625,481)	20,874,344
Increase (decrease) in withholdings	315,549	(159,536)
Increase (decrease) in accounts payable	588,418	(767,209)
Increase (decrease) in income tax payable	(24,812,930)	15,272,248
Payments to severance benefits	(2,219,205)	(1,176,072)
Decrease (increase) in pension plan assets	(1,941,322)	(1,104,147)
Increase (decrease) in deferred tax liabilities	5,917,313	3,196,329
Net cash provided by operating activities	₩ 126,898,928	123,992,144

	2022	2021
Cash flows from investing activities		
Decrease in time deposits included in cash and due from banks	165,000,000	90,000,000
Decrease in certificate of deposit included in cash and due from banks	5,000,000	-
Decrease in investments in associates and subsidiaries	-	29,946,378
Disposal of property and equipment	-	300
Refund of leasehold deposits	102,926	518,033
Decrease in loans	-	40,359
Increase in time deposits included in cash and due from banks	(90,000,000)	(165,000,000)
Increase in certificate of deposit included in cash and due from banks	(60,000,000)	(5,000,000)
Increase in loans	(14,252)	(11,612)
Acquisition of property and equipment	(1,223,582)	(2,610,601)
Acquisition of intangible assets	(192,053)	(2,859,004)
Payment for leasehold deposits	(640,213)	(413,250)
Net cash used in investing activities	18,032,826	(55,389,397)
Cash flows from financing activities		
Dividends paid	(117,616,729)	(57,990,136)
Net cash used in financing activities	(117,616,729)	(57,990,136)
Net increase (decrease) in cash and cash equivalents	27,315,025	10,612,611
Cash and cash equivalents at beginning of year	34,094,998	23,482,387
Cash and cash equivalents at end of year	₩ 61,410,023	34,094,998

See accompanying notes to the financial statements.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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, 2022, 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, Toegye-ro, Jung-gu, Seoul, Korea. The Capital and investor as of December 31, 2022 is summarized as follows:

(KRW thousand)

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

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 are 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) 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

(5) 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).

(6) 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.

(7) 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, 2022, 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%

(8) 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.

(9) 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.

(10) 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, 2022 and 2021 are as follows:

(KRW thousand)

	Annual interest rate (%)		2022	2021
Cash and cash equivalents				
Money market deposit accounts	3.00	₩	314,154	47,416
Money market trust	3.00~4.70		17,850,000	3,985,900
Specified money trust	3.75~5.80		39,210,000	25,000,000
Ordinary deposits	0.10		56,900	52,692
Foreign currency deposits	0.01~0.10		3,978,969	5,008,990
			61,410,023	34,094,998
Time deposits				
Certificate of deposit	2.40~5.40		90,000,000	165,000,000
	2.20~5.60		60,000,000	5,000,000
			150,000,000	170,000,000
		₩	211,410,023	204,094,998

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, 2022 and 2021 are summarized as follows:

(KRW thousand)

		2022		2021	
		Acquisition cost	Fair value	Book value	Book value
IGIS No. 43-1	₩	27,400,000	26,813,366	26,813,366	24,755,626
Mirae Asset Trust No. 2-3		110,000,000	153,269,600	153,269,600	139,263,300
	₩	137,400,000	180,082,966	180,082,966	164,018,926

6. Property and Equipment

Changes in property and equipment for the years ended December 31, 2022 and 2021 are as follows:

(KRW thousand)

	2022				
	Beginning balance	Acquisition	Disposal (*)	Depreciation	Ending balance
Computer equipment	₩ 3,351,852	428,163	-	(1,079,456)	2,700,559
Office equipment	318,927	354,975	(2,718)	(129,070)	542,114
Leasehold assets	282,449	440,443	-	(153,626)	569,266
	₩ 3,953,228	1,223,581	(2,718)	(1,362,152)	3,811,939

(*)Fully-depreciated office equipment is disposed for the year ended December 31, 2022. Its acquisition costs is ₩151,296 thousand.

	2021				
	Beginning balance	Acquisition	Disposal (*)	Depreciation	Ending balance
Computer equipment	₩ 2,091,196	2,176,556	-	(915,900)	3,351,852
Office equipment	161,335	237,260	-	(79,667)	318,927
Leasehold assets	195,745	196,785	-	(110,081)	282,449
	₩ 2,448,276	2,610,601	-	(1,105,648)	3,953,228

(*)Fully-depreciated computer equipment and office equipment are disposed for the year ended December 31, 2021. Those acquisition costs are ₩667,840 thousand and ₩69,179 thousand.

7. Insured Assets

Insurance contracts maintained by the Corporation as of December 31, 2022 are as follows:

(KRW thousand)

Category of insurance	Classification	Insured assets	Insured amount	Insurance company
Movables comprehensive insurance	HQ	Computer equipment	₩ 12,784,259	MG Non-Life Insurance
		Office equipment		
		Leasehold assets		
	New York	Computer equipment	885,209	The Hartford
		Office equipment		
		Leasehold assets		
	London	Computer equipment	375,807	AXA Insurance
		Office equipment		
		Leasehold assets		
	Singapore	Computer equipment	297,080	QBE Insurance
		Office equipment		
		Leasehold assets		
San Francisco	Computer equipment	605,896	The Hartford	
	Office equipment			
	Leasehold assets			

8. Intangible Assets

Changes in intangible assets for the years ended December 31, 2022 and 2021 are as follows:

(KRW thousand)

		Development costs	Computer Software	Total
Net balance at the beginning of 2022	₩	8,891,029	1,232,435	10,123,464
Additions		35,343	156,710	192,053
Amortization (*)		(2,204,601)	(385,054)	(2,589,655)
Net balance at the end of 2022	₩	6,721,771	1,004,091	7,725,862
Net balance at the beginning of 2021	₩	8,502,120	1,351,696	9,853,816
Additions		2,544,173	314,830	2,859,003
Amortization (*)		(2,155,264)	(434,091)	(2,589,355)
Net balance at the end of 2021	₩	8,891,029	1,232,435	10,123,464

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

9. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
Provision for retirement and severance benefits at beginning of year	₩	14,786,479	13,435,440
Payments		(2,219,205)	(1,176,072)
Accrual for retirement and severance benefits		(1,418,181)	2,527,111
Provision for retirement and severance benefits at end of year	₩	11,149,093	14,786,479

Pension plan assets as of December 31, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
Principal guarantee financial instruments	₩	17,620,458	13,899,238
Other		-	1,500,103
(*)	₩	17,620,458	15,399,341

(*) Amounts that exceed retirement and severance benefits are accounted for as investments.

(KRW thousand)

		2022	2021
Beginning balance	₩	15,399,341	14,079,308
Increase		3,442,848	2,606,433
Decrease		(1,221,731)	(1,286,400)
Ending balance(*)	₩	17,620,458	15,399,341

(*) Amounts that exceed retirement and severance benefits are accounted for as investments.

Expenses related to defined contribution plans recognized for the years ended December 31, 2022 and 2021 are ₩516,880 thousand and ₩482,451 thousand, respectively.

10. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2022 are as follows:

(KRW thousand)

		Foreign currency	Exchange rate	Translated into won
Assets				
Deposits	USD	2,846,757.90	₩ 1,267.30	₩ 3,607,696
	GBP	196,012.25	1,527.67	299,442
	SGD	76,163.15	943.11	71,830
Accrued income	USD	49,227,629.37	1,267.30	62,386,175
Other assets	USD	473,926.26	1,267.30	600,607
	GBP	396,784.73	1,527.67	606,156
	SGD	156,492.87	943.11	147,590
				₩ 67,719,496
Liabilities				
Accrued expenses	USD	34,496,162.50	₩ 1,267.30	₩ 43,716,988
	GBP	5,494.10	1,527.67	8,393
	SGD	8,697.16	943.11	8,202
Accounts payable	USD	209,409.25	1,267.30	265,384
	GBP	88,734.69	1,527.67	135,557
	SGD	29,668.22	943.11	27,980
	EUR	885.09	1,351.20	1,196
				₩ 44,163,700

Regarding foreign currency translations, the Corporation recognized operating revenue of ₩1,671,480 thousand and operating expenses of ₩4,563,046 thousand for the year ended December 31, 2022.

Assets and liabilities denominated in foreign currencies as of December 31, 2021 are as follows:

(KRW thousand)

		Foreign currency	Exchange rate	Translated into won
Assets				
	USD	3,762,882.98	₩ 1,185.50	₩ 4,460,898
Deposits	GBP	289,171.18	1,600.25	462,746
	SGD	97,300.61	877.14	85,346
Accrued income	USD	144,978,705.04	1,185.50	171,872,255
	USD	405,279.73	1,185.50	480,459
Other assets	GBP	1,059,531.84	1,600.25	1,695,516
	SGD	127,736.27	877.14	112,043
				₩ 179,169,263
Liabilities				
	USD	49,518,837.79	₩ 1,185.50	₩ 58,704,582
Accrued expenses	GBP	2,361.93	1,600.25	3,780
	SGD	4,556.13	877.14	3,996
	USD	405,484.07	1,185.50	480,701
Accounts payable	GBP	71,722.55	1,600.25	114,774
	SGD	28,928.00	877.14	25,374
				₩ 59,333,207

11. Commitments and Contingencies

As of December 31, 2022, 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 169,332,877,913.92 as of December 31, 2022.

There are no pending litigations as of December 31, 2022.

12. Capital

Capital as of December 31, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
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.

13. Retained Earnings

Retained earnings as of December 31, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
Earning reserve (*)	₩	63,719,738	46,917,348
Voluntary reserve		159,812,175	126,207,395
Unappropriated retained earnings		80,083,938	168,023,899
Total retained earnings	₩	303,615,851	341,148,642

(*)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, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
Unappropriated retained earnings			
Balance at beginning of year	₩	-	-
Net income for the year		80,083,938	168,023,899
Balance at end of year before appropriation	₩	80,083,938	168,023,899
Appropriation of retained earnings			
Earning reserve	₩	-	16,802,390
Voluntary reserve		16,016,787	33,604,780
Dividends (*)		64,067,151	117,616,729
Unappropriated retained earnings to be carried over to subsequent year	₩	-	-

(*) The Corporation's dividend for the years ended December 31, 2022 is estimated dividend, assuming a dividend ratio of 80%. The estimated dividend for the years ended December 31, 2021 was calculated ₩117,617 million, assuming a dividend ratio of 70%, and the same amount was actually distributed.

14. Income Taxes

The components of income tax expense for the years ended December 31, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
Current tax expense	₩	24,166,743	51,538,373
Changes in deferred tax from temporary differences		5,917,313	5,109,284
Supplementary payment of income taxes		(1,062,535)	(38,654)
Income tax expense	₩	29,021,521	56,609,003

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, 2022 and 2021 for the following reasons:

(KRW thousand)

		2022	2021
Income before income tax	₩	109,105,460	224,632,902
Income tax expense at statutory tax rates		25,941,521	53,899,162
Tax effects of permanent differences		22,101	11,106
Tax credit		(20)	(20)
Non-reflux income		4,553,384	2,737,409
Other adjustments		(1,495,465)	(38,654)
Income tax expense	₩	29,021,521	56,609,003
Effective tax rate		26.60%	25.20%

Changes in temporary differences for the year ended December 31, 2022 and deferred tax assets(liabilities) as of December 31, 2022 are as follows:

(KRW thousand)

		Beginning balance	Increase	Decrease	Ending balance	Deferred tax assets(liabilities)
Accrued expenses	₩	13,303,393	2,993,149	(13,303,393)	2,993,149	691,417
Financial assets at fair value through profit or loss		(26,618,926)	(42,682,966)	26,618,926	(42,682,966)	(9,859,765)
Retirement and Severance Benefits		-	878,115	(743,081)	135,034	31,193
Property and equipment		107,560	36,340	(42,114)	101,786	23,513
	₩	(13,207,973)	(38,775,362)	12,530,338	(39,452,997)	(9,113,642)

Changes in temporary differences for the year ended December 31, 2021 and deferred tax assets(liabilities) as of December 31, 2021 are as follows:

(KRW thousand)

		Beginning balance	Increase	Decrease	Ending balance	Deferred tax assets(liabilities)
Accrued expenses	₩	13,120,156	13,303,393	(13,120,156)	13,303,393	3,219,421
Accounts receivable		(3,089,937)	-	3,089,937	-	-
Securities under equity method		(426,216)	-	426,216	-	-
Financial assets at fair value through profit or loss		(1,816,120)	(26,618,926)	1,816,120	(26,618,926)	(6,441,780)
Property and equipment		116,888	41,226	(50,554)	107,560	26,030
	₩	7,904,771	(13,274,307)	(7,838,437)	(13,207,973)	(3,196,329)

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.

15. Related Party Transactions

Details of related party as of December 31, 2022 are as follows:

Related party	Relationship
Ministry of Economy and Finance	Investor

Account balances with a related party as of December 31, 2022 and 2021 are as follows:

(KRW thousand)

	Account		2022	2021
Ministry of Economy and Finance	Accrued income	₩	48,014,017	145,941,500

Significant transactions that occurred in the normal course of business with the related party for the years ended December 31, 2022 and 2021 are as follows:

(KRW thousand)

	Account		2022	2021
Ministry of Economy and Finance	Investment management fees	₩	207,217,254	316,190,490

16. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
Salaries and wages	₩	26,549,656	35,182,129
Accrual for retirement and severance benefits		(901,301)	3,009,562
Other employee benefits		6,468,639	7,672,573
Advertising		137,170	114,880
Travel		1,717,130	417,548
Communications		418,408	414,529
Computer system operation expenses		7,682,592	6,456,770
Taxes and dues		532,536	389,225
Rental expenses		4,914,850	5,271,054
Other service fees		2,500,614	1,823,961
Depreciation		1,362,153	1,105,648
Amortization		2,589,655	2,589,356
Business development expenses		158,458	99,991
Business meetings		439,089	383,287
Printing		78,064	72,276
Vehicle maintenance expenses		161,353	127,568
Supplies		123,017	93,983
Repairs and maintenance		54,786	37,894
Utilities		2,232,420	2,001,205
Insurance		11,026	66,380
Legal expenses		664	921
Event expenses		156,558	131,307
Information expenses		10,866,410	8,818,917
Training		911,674	473,783
Books and periodicals		40,313	36,131
Prize		7,984	8,595
Bad debt expenses		4,849	263,999
	₩	69,218,767	77,063,472

17. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2022 and 2021 are as follows:

(KRW thousand)

		2022	2021
Salaries and wages	₩	26,549,656	35,182,129
Accrual for retirement and severance benefits		(901,301)	3,009,562
Other employee benefits		6,468,639	7,672,573
Taxes and dues		532,536	389,225
Rental expenses		4,914,850	5,271,054
Depreciation		1,362,153	1,105,648
Amortization		2,589,655	2,589,356
	₩	41,516,188	55,219,547

18. Date of Authorization for Issue

The Corporation's financial statements are authorized for issue on March 24, 2023, at the Board of Directors meeting. These financial statements are scheduled to be submitted for approval to the Steering Committee on March 28, 2023.



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