

KOREA INVESTMENT CORPORATION

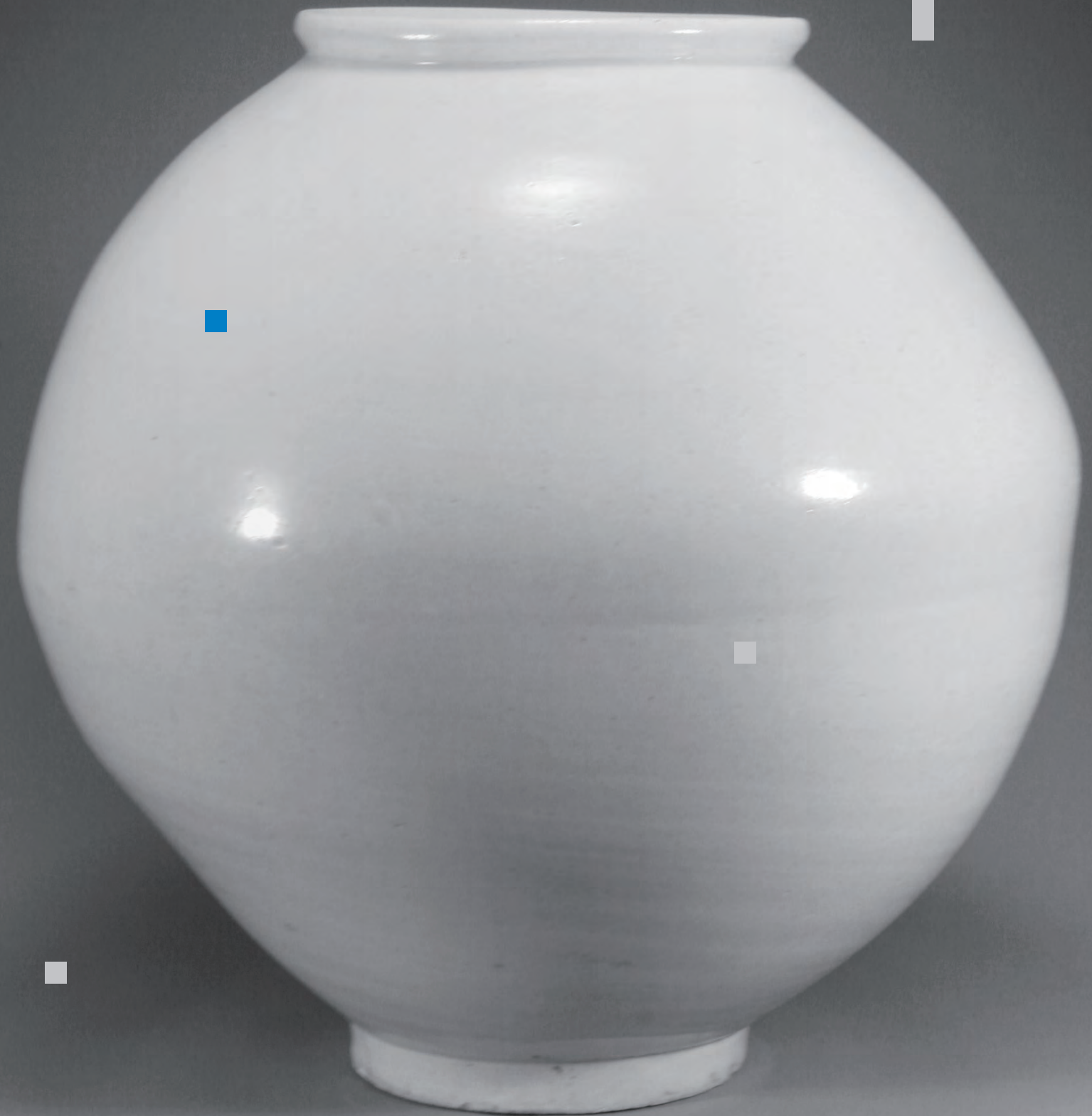
2023 Annual Report

Contents

08	CEO’s Message
10	Investment Highlights
20	Investments
50	Governance & Organization
68	Financial Statements

Creating sustainable value

KIC, the sovereign wealth fund of the Republic of Korea,
invests today to create value for the future.



National Treasure 310
Joseon White Porcelain Moon Jar
The National Palace Museum of Korea



Building a resilient portfolio

KIC is building a stable, long-term investment portfolio that can overcome financial market uncertainties.

CEO’s Message

Dear Readers,

2023 was a year of both high volatility and recovery for global financial markets.

It started with more anxiety than hope. None of the issues that had sent equity and bond markets plunging by the double digits in 2022 had been resolved: inflation and aggressive monetary tightening, followed by fears of a global slowdown and geopolitical tensions.

In March, the collapse of Silicon Valley Bank (SVB) reignited fears of a credit crisis and triggered a spike in market volatility. But financial markets quickly stabilized as central banks and governments responded swiftly and proactively.

Solid employment data and robust consumer spending in the U.S. throughout the year eased fears of a recession. And the U.S. stock market rose 24.2%, fueled by expectations of AI-driven technological innovation and economic growth.

But interest rates remained highly volatile. While the 10-year U.S. Treasury rate had stabilized at about 3.5% early in the year due to the SVB crisis and downward trend in inflation, it spiked in the second half of the year, nearing the psychological resistance level of 5% and shaking market sentiment. The price of the 10-year U.S. Treasury bond, typically considered a “safe haven” asset, was as volatile as most emerging market equity indices.

KIC responded swiftly to the market turbulence.

In an environment of high volatility, we focused on a proactive asset allocation strategy, increasing our allocation to alternative assets to secure stable long-term returns. We also actively pursued portfolio diversification across geographies and asset classes.

As a result, we achieved an annual return of 11.6% in 2023, with earnings of USD 19.7 billion, or KRW 26 trillion. Our total assets under management increased to USD 190 billion, or KRW 246 trillion.

In addition to achieving strong returns, we also laid the groundwork for our sustainable growth as a sovereign wealth fund.

After considering various regions globally for our first investment base in an emerging market, we established an office in Mumbai, India. It is our fifth overseas office, following those in the global financial centers of New York, London, Singapore, and San Francisco.

With a labor force of 1.5 billion, India serves as a new global production base and is expected to experience rapid growth. KIC plans to discover promising investment opportunities in the country’s mid- to long-term economic development, industrialization, and urbanization process.

As the sovereign wealth fund of Korea, KIC was established for the prosperity of future generations.

Featured on the previous page is a white porcelain moon jar sculpted with the skill and dedication of Joseon Dynasty artisans. Renowned worldwide for their aesthetic value, moon jars remain a source of pride for Korea.

Reflecting on the value of this cultural heritage passed down through the generations, I am humbly reminded of KIC’s responsibility and role for future generations.

It’s a challenging time for the global investment environment, with ongoing geopolitical tensions and heightened market volatility during a critical juncture for monetary policy.

In the face of this uncertainty, KIC will not lose focus. We will navigate shifts in industrial and economic structural paradigms driven by changes in the medium- to long-term financial environment and AI innovation.

We will work to achieve stable long-term performance and serve as a pillar for Korea. And we will strive to contribute to the development and innovation of the global capital market as a leading sovereign wealth fund.



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



INVESTMENT HIGHLIGHTS

12	Beyond Numbers
14	Key Figures
18	Global Presence

Beyond Numbers

The Korea Investment Corporation is Korea's sovereign wealth fund for future generations. With a long-term horizon, we create value beyond numbers through active asset allocation and by identifying promising investment opportunities.

Total Assets Under Management

USD
189.4 billion

Since our initial investments in 2006 with USD 1 billion, KIC has grown to become a globally leading sovereign wealth fund, with total assets under management of USD 189.4 billion by the end of 2023.

KIC has earned cumulative income of USD 77.9 billion since inception.

Total Assets Under Management

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KIC has earned cumulative income of USD 77.9 billion since inception.

In the global financial market in 2023, concerns about high inflation and high interest rates coexisted with expectations of a soft landing.

KIC responded with a proactive asset allocation strategy, generating an 11.59% return on total assets in 2023.

Return on total assets

11.59%

Five-year annualized return

6.48%

KIC is focused on the long term, generating consistent and stable returns within acceptable risk limits.

With an annualized return for the past five years* of 6.48%, KIC is growing the real external purchasing power of sovereign assets.

* 2019 - 2023

Weight of alternative assets

22%

KIC is gradually increasing its allocation to alternative assets to reduce portfolio risk and generate strong medium- to long-term returns by capturing an illiquidity premium. At the end of 2023, KIC's allocation to alternative assets stood at 22% of total assets, up significantly from 16.4% five years earlier.

Key Figures

KIC was established in 2005 under the Korea Investment Corporation Act. As of December 2023, we had assets under management of USD 189.4 billion (KRW 246 trillion), with cumulative net investment income of approximately USD 77.9 billion.

Following a principle of diversification, KIC invests 78% of its portfolio in traditional assets including global equities and fixed income, and the remaining 22% in alternative assets including global private equity, real estate, infrastructure, and hedge funds. We build a balanced portfolio across geographies and assets.

Return on total assets

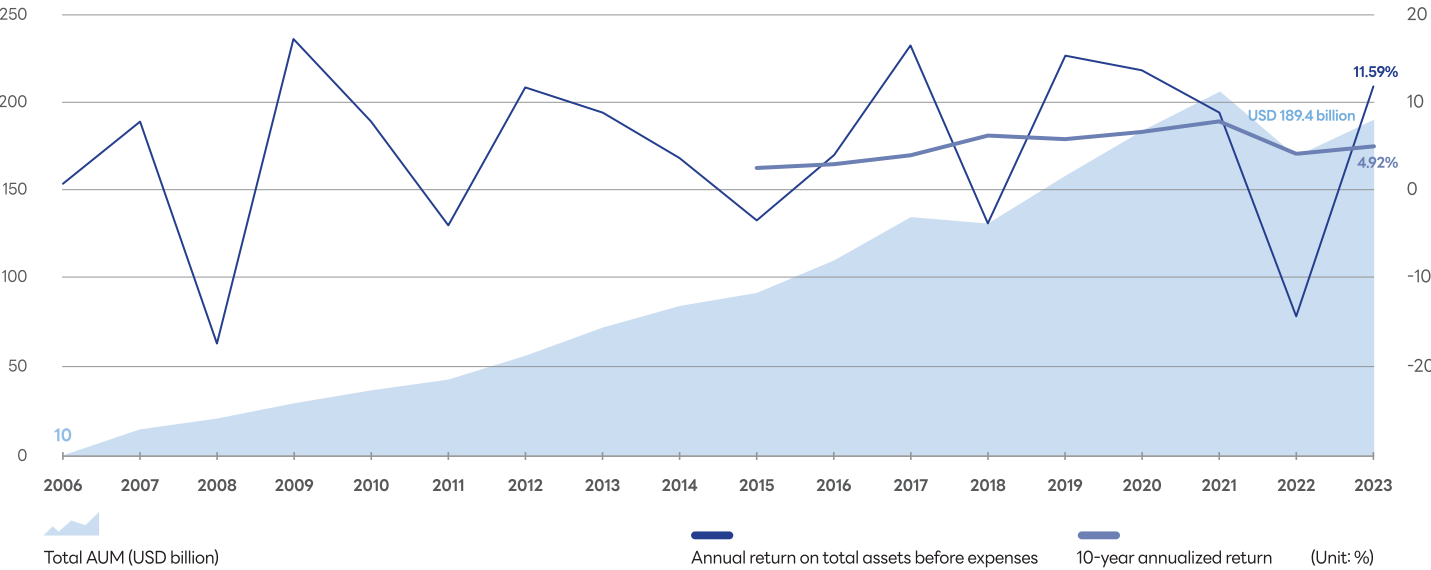
(Unit: %)

Category	2019	2020	2021	2022	2023
Annual return before expenses	15.39	13.71	9.13	-14.36	11.59
Annual return after expenses	15.21	13.52	8.94	-14.46	11.44
10-year annualized return	5.60	6.13	7.50	4.68	4.92
Annualized return since inception	4.60	5.22	5.47	4.12	4.54
Total AUM ^{USD billion}	157.3	183.1	205.0	169.3	189.4

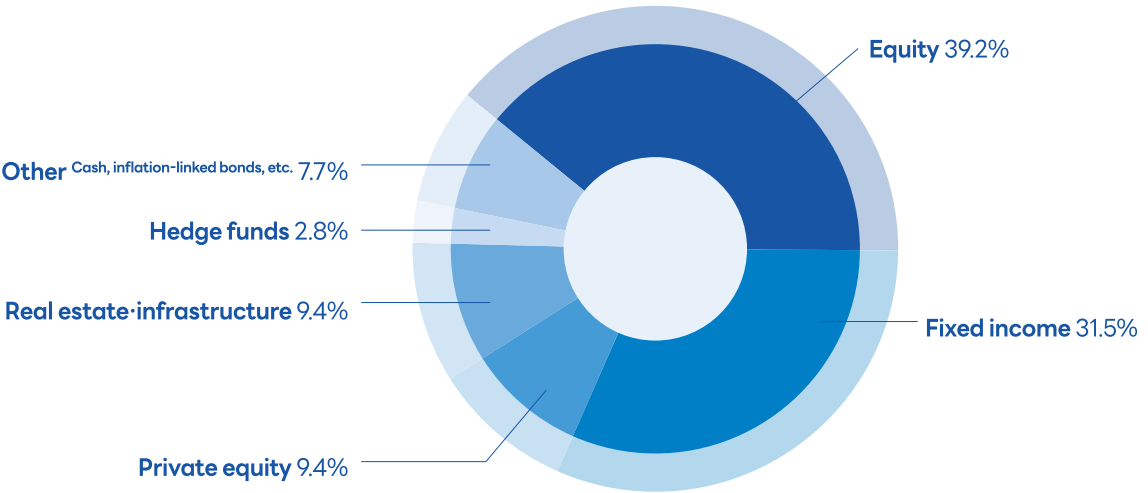
10-year annualized return

KIC has achieved consistent and stable returns within appropriate risk limits. Since inception, we have consistently delivered returns above inflation.

AUM and returns



Asset allocation in 2023

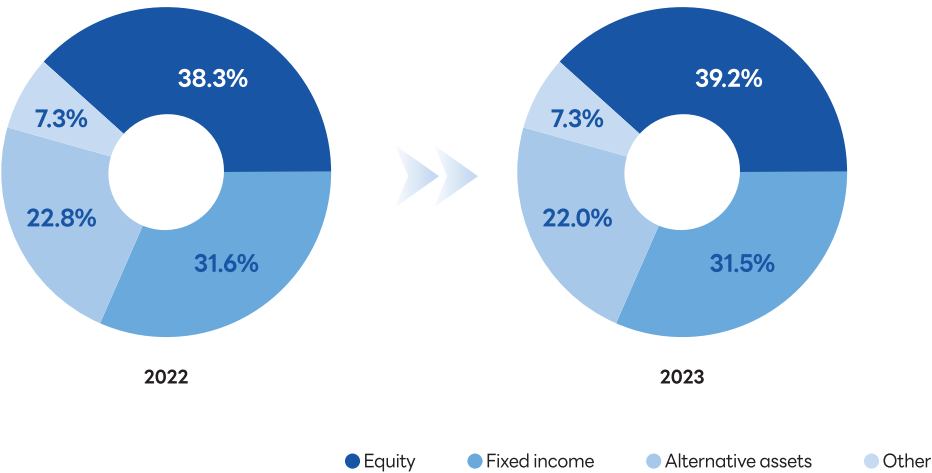


(Unit: USD billion, %)

Category		Net asset value	Weight
Traditional Assets	Equity	74.2	39.2
	Fixed income	59.8	31.5
	Subtotal*	147.7	78.0
Alternative Assets	Private equity	17.9	9.4
	Real estate, infrastructure	17.7	9.4
	Hedge funds	5.3	2.8
	Subtotal*	41.7	22.0
Total		189.4	100.0

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

Assets allocation compared to the previous year



Return on traditional assets

The return on traditional assets in 2023 was 14.35%, -6 bps compared to the benchmark.

Category		2019	2020	2021	2022	2023	Annualized return for the past 5 years	Annualized return since inception
Total	Return%	16.62	14.62	6.75	-17.58	14.35	6.10	4.63
	Excess return ^{bp}	33	144	-39	-52	-6	10	15
Equities	Return%	27.52	19.16	18.61	-19.27	22.44	12.24	5.55
	Excess return ^{bp}	6	261	-92	-137	-13	-7	-12
Fixed income	Return%	7.53	9.88	-4.62	-16.65	6.34	-0.02	2.59
	Excess return ^{bp}	73	78	39	14	14	42	31

Return on alternative assets

Annualized return since inception: 7.83% (Unit: %)

Category	Inception	Annualized return since inception
Private equity	2009. 09. 16.	9.57
Real estate, infrastructure	2010. 03. 15.	7.19
Hedge funds	2010. 01. 29.	5.40
Total for alternative assets		7.83

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

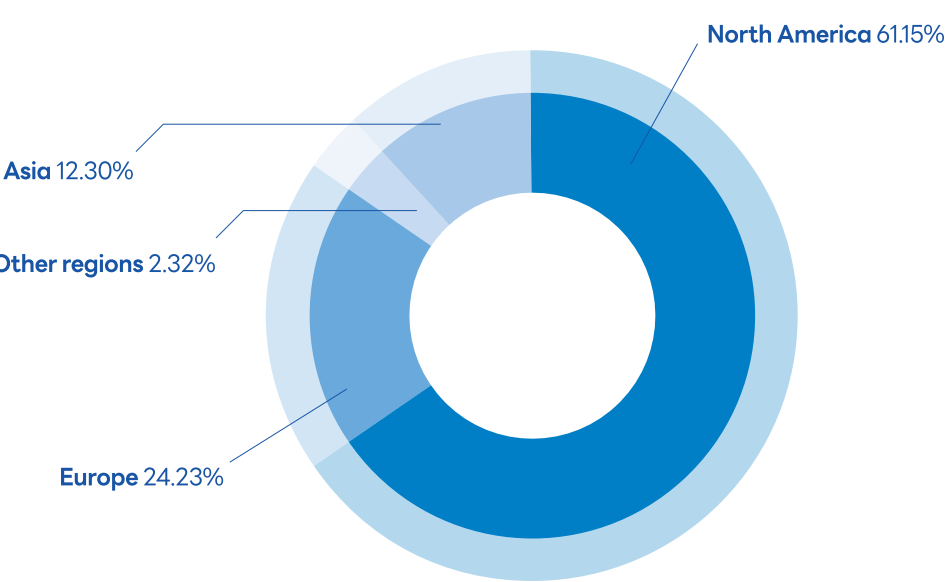
Benchmarks for each asset class

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

* Private debt has been managed as a separate asset class since January 2024. (Benchmark: Morningstar Global Leveraged Loan Index + 1.25%, 3 months lagged)

Investments by region

Based on the market value of traditional assets as of the end of December 2023



List of invested countries

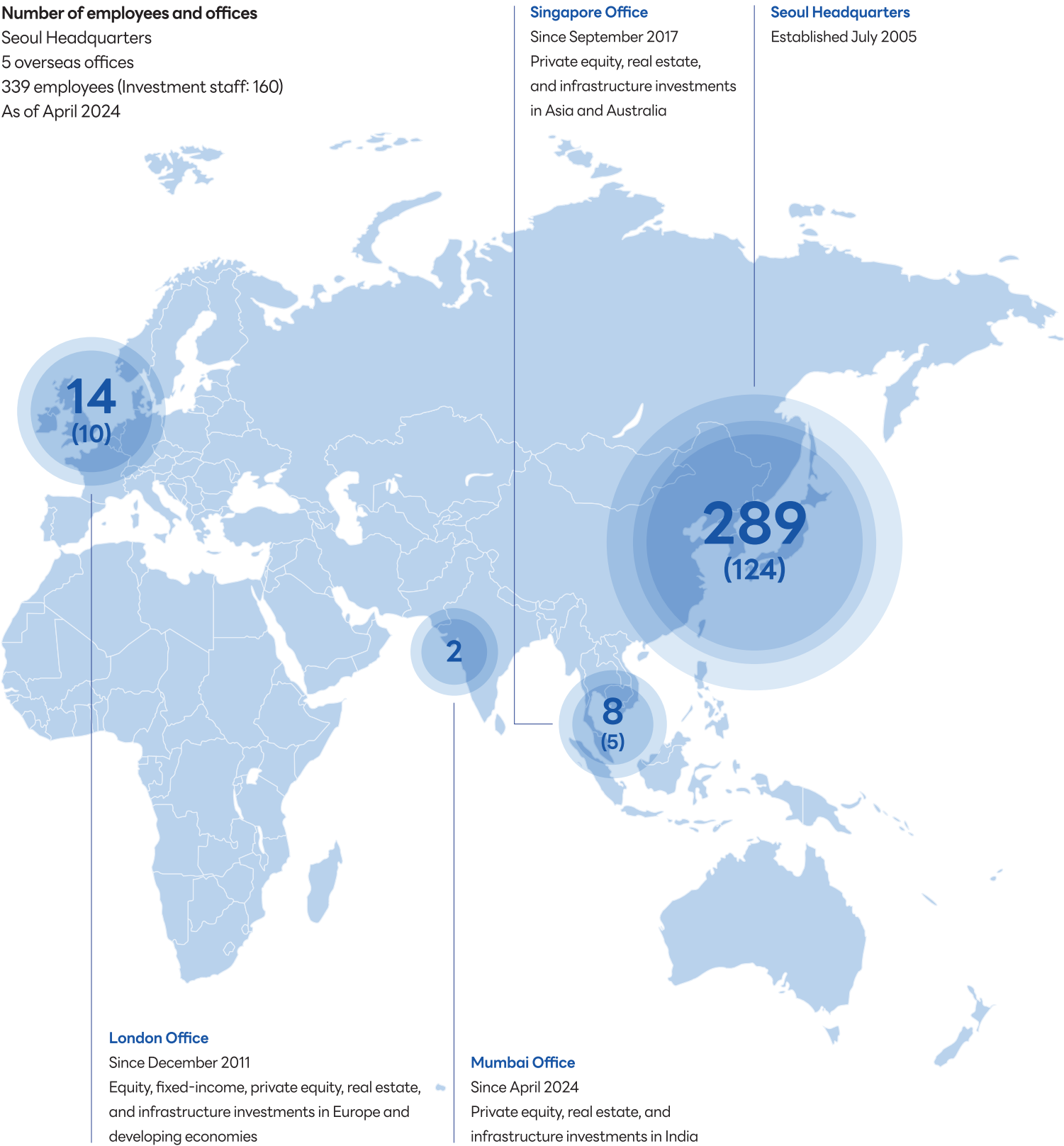
(As of the end of December 2023)

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

Global Presence

Number of employees and offices

Seoul Headquarters
5 overseas offices
339 employees (Investment staff: 160)
As of April 2024



INVESTMENTS

22	Investment Policy & Process
26	Traditional Assets
30	Alternative Assets
32	Special Interviews
34	Investment Stewardship and Sustainable Investment
38	Global Network
40	Development of the Domestic Finance Industry
44	Risk Management
48	Securities Lending

Investment Policy & Process

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



Investment Policy

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 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, hedge funds and private debt.

Investment Guidelines

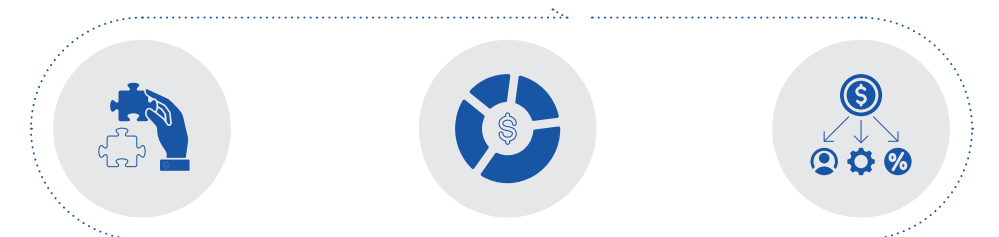
Investment guidelines are set by our sponsors and stipulate the key points to be followed during the investment process, including investment objectives, benchmarks, and risk tolerance. KIC manages assets and risk and evaluates performance based on these investment guidelines. KIC also has internal investment guidelines for individual funds within asset classes, such as equities and fixed income.

Asset Allocation

KIC allocates assets in consideration of the financial market environment, asset characteristics, and investment horizon, and we are strengthening our asset allocation role and functions. As part of our process, we hold an asset allocation forum every quarter to integrate top-down/bottom-up views among investment management groups and derive a house view.

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 KIC's 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.



Strategic Asset Allocation

Strategic Tilting

Tactical Asset Allocation

Direct and Indirect Management

KIC engages in direct management, trading directly in the financial markets, and indirect management, selecting external managers and entrusting them with funds. Direct management seeks stable returns with relatively low risk and marginal excess returns compared to the benchmark.

Indirect management uses a more active investment strategy that pursues high excess returns with relatively greater risk.

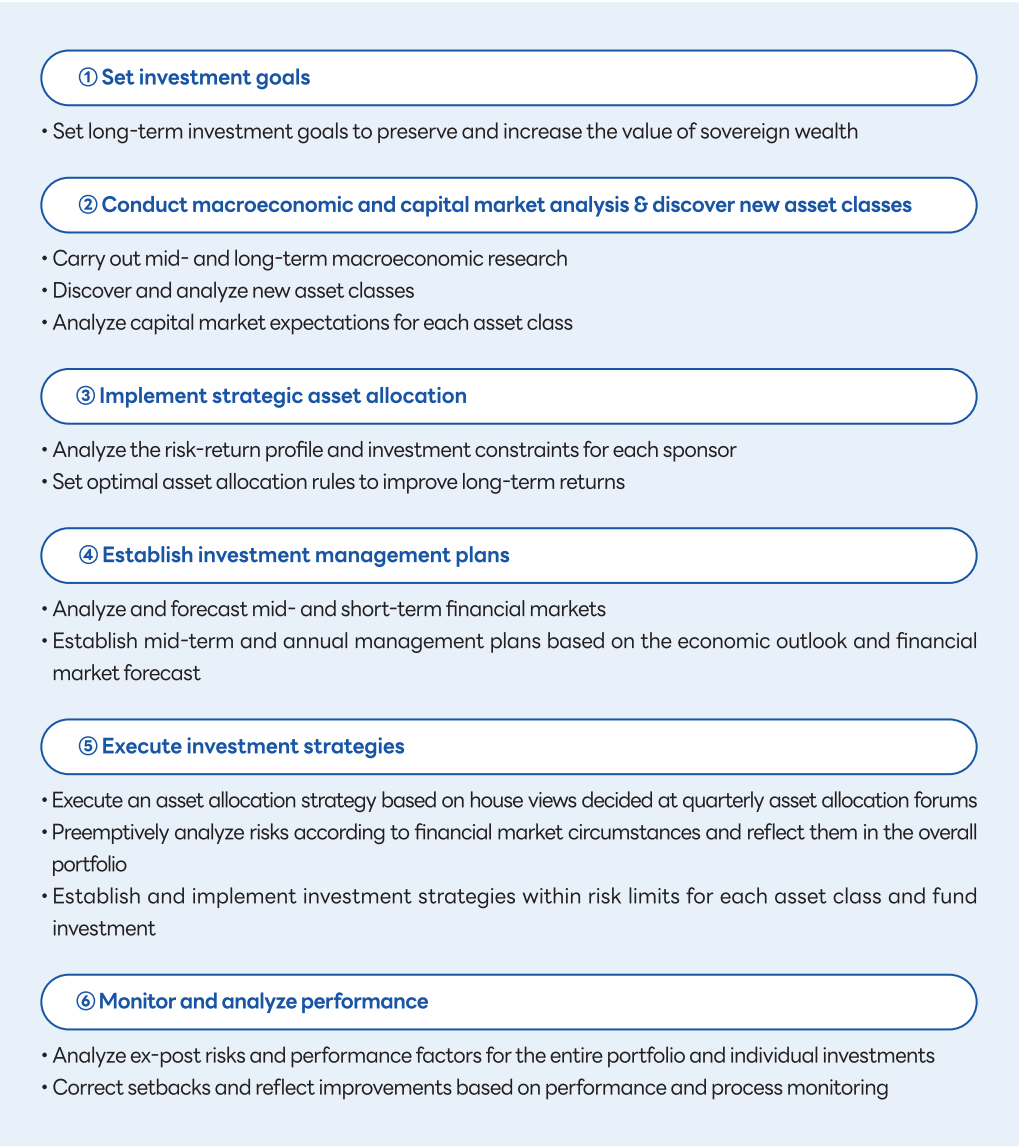
Risk Management

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

We 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 Process

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



Investment Committee

KIC has established and is operating the following investment-related committees to make prudent and responsible investment decisions.

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

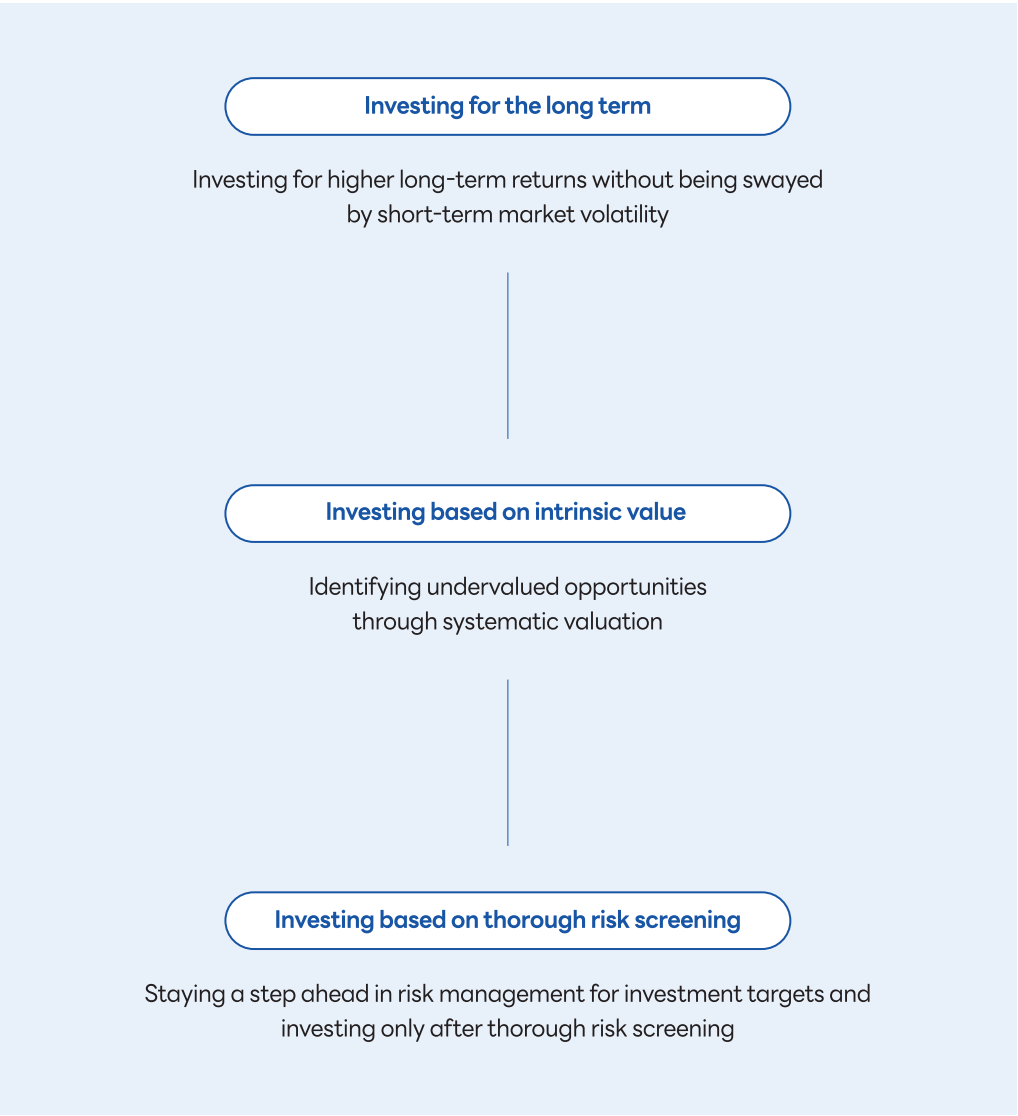
Investment Working Committee

- 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 Philosophy



Traditional Assets

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

KIC began investing in fixed income in 2006 and has since expanded its asset classes to include equities and inflation-linked bonds, as well as increased the size of its investments. Traditional investments account for 78% of KIC's total portfolio and have performed steadily, with an annualized return since the initial investment of 4.63% as of 2023. 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, we have been holding a quarterly asset allocation forum, whereby investment and risk managers engage in in-depth discussions and the results of which are actively reflected in our investment decision-making. Based on financial market outlooks and asset class analyses, KIC derives expected returns for each asset class and conducts optimal asset allocation that takes into account enterprise risk management levels. Our aim is for all assets to earn their target returns. We strive to outperform the benchmark by developing various relative strategies within asset classes and adjusting asset class weightings in response to changes in economic conditions and financial market fluctuations. We also strive to enhance returns through asset class rebalancing, managing an appropriate ratio between direct and indirect investments, diversifying strategies within asset classes, and diversifying among various investment managers.

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 uses fundamental analysis and quantitative models to identify equities around the world that are undervalued relative to their intrinsic value with a long-term investment perspective. 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.

We pursue stable and sustainable returns through building a balanced portfolio of fundamental and quantitative strategies and of direct and external investments.

Direct Investments

The fundamental strategies for the 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 run region-specific portfolios for the locally focused global investment strategy while headquarters manages the portfolio from a global perspective, taking into account the relative advantages of companies around the world.



External Equity Management

The external equity investments of the Equity Investment & Strategy Group seek to generate excess returns through diversifying investments by outsourcing managers highly capable of outperforming in global equity markets. We balance various investment processes and philosophies, including quantitative and fundamental and value and growth, and strive to deliver superior performance over the long term.

Quant Equity Management

For quantitative investments, the Quant Equity Investment Group focuses on developing KIC’s direct investment capabilities. 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.

The group uses big data and machine-learning technologies to proactively respond to changes in the global investment environment, including advancements in data and artificial intelligence technologies. It is building a unique management platform based on strengthening ESG and theme-based strategies as well. The group also runs a quota program that entrusts domestic securities firms with overseas stock trading orders as part of a continued effort to support growth in Korea’s 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.

Direct Fixed-Income Investment

For the directly invested fixed-income portfolio, we focus on balancing top-down and bottom-up investments and actively managing risk to respond to financial market volatility and generate excess returns. Based on sector-specific management expertise and constant communication between headquarters and overseas offices, we take advantage of diverse investment opportunities in the global fixed-income market.

External Fixed-Income Management

For the externally invested fixed-income portfolio, KIC seeks to achieve stable mid- to long-term excess returns through selecting managers capable of generating strong excess returns in the global fixed-income market, constructing a balanced portfolio, and rebalancing according to global economic and market conditions.

Tactical Asset Allocation

KIC has 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.

KIC continues to develop quantitative analysis indicators based on economic and market data analysis as well as to make expected scenarios based on a variety of analyses for historical financial crises and geopolitical events, to respond to higher market volatility. Through these efforts, KIC works to enhance its systematic structure for managing investments and analyzing risk for the traditional asset portfolio.

Alternative Assets

KIC invests in alternative assets, including private equity, real estate, infrastructure, hedge funds, and private debt.

Alternative investments help diversify overall portfolio risk and sources of return, contributing to KIC's strong long-term performance.

Alternative assets refer to assets other than those traded in public markets, such as equities and fixed income. They are characterized by a relatively longer investment horizon and lower liquidity than traditional assets. They also capture an illiquidity premium and have a different risk-return structure than do traditional assets, resulting in a low correlation with those assets. As a result, alternative assets can lower portfolio risk and diversify sources of return.

KIC began investing in alternative assets in 2009 with private equity and later expanded into real estate, infrastructure, hedge funds, and private debt.

Since starting alternative investments, KIC has achieved an annualized return on alternative investments of 7.83% (end of 2023).

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 opportunities, building investment analysis capabilities, and strengthening partnerships with top managers.

In 2023, the global private equity market was characterized by sustained high interest rates and uncertainty in the external environment, which dampened investor sentiment. An unfavorable IPO environment delayed investor returns.

KIC's response was to build a geographically and strategically diversified portfolio, primarily focusing on non-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.

Real Estate

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

In 2023, lending rates remained high as central banks kept interest rates high to control inflation. Investors were reluctant to invest in leveraged real estate, and overall property prices fell, as did transactions. Investors did,

however, turn to logistics facilities, where demand is expected to grow structurally, residential facilities, where demand is expected to be stable, and real estate lending strategies, where expected returns have increased in a high-interest-rate environment.

In this market, KIC sought to secure dry powder for future investments by making new commitments to managers with strong regional capabilities. We aim to seize, early on, investment opportunities that may arise from uncertainties in the financial environment. We also invested in such structural growth sectors as logistics and residential and expanded real estate financing opportunities that can generate stable returns in a high-interest-rate environment. We also strengthened our monitoring of existing holdings.

While the real estate investment environment is expected to remain unfavorable in 2024, KIC will continue to invest in sectors poised for growth engine of our portfolio. And we will strive to build a stable portfolio through geographical and asset class diversification.

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 given their natural monopoly characteristics, inflation-linked revenue stream, and low return volatility amid economic fluctuations.

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 telecom, energy, power, renewables, transportation, social, and environment.

In 2023, the macroeconomic environment brought ongoing uncertainty, with slowing global economic growth and persistently high inflation. But global trends including the energy transition, supply chain security, and digitalization continued, and related investment opportunities emerged. As the infrastructure market has matured, there has also been an increase in secondary transactions.

KIC closely monitored market conditions and proactively identified investment opportunities in regions and sectors aligned with global trends. We also examined the downside stability and resilience of infrastructure assets.

Going forward, KIC will continue to monitor global economic trends to respond nimbly to infrastructure investment opportunities and build a stable and profitable portfolio.

Hedge funds

With hedge funds, our management strategy is to seek absolute returns by investing in assets that have a relatively low correlation with the market. 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. Going forward, we plan to build a portfolio centered on absolute return strategies that take advantage of relative value-based investment opportunities in the market, such as multi strategies and fixed-income arbitrage strategies.

KIC also supports the overseas hedge fund investments of Korean financial institutions through the establishment of hedge fund joint ventures. We aim to support the development of the domestic finance industry with our diverse hedge fund investment experience.

Special Interviews

Overseas Office Staff



Tae Seung Noh, Senior Director

San Francisco

Tae Seung Noh joined KIC’s Private Equity Group in 2014 and has been working at KIC’s San Francisco office since its establishment in 2021. He manages venture capital, tech-focused funds, and direct investments in Silicon Valley. Prior to joining KIC, he worked at an accounting firm and a public institution.

Q — How does working overseas compare with working at headquarters in Korea?

A — The San Francisco office primarily makes venture capital and growth capital investments. These asset classes require face-to-face business and investment processes. You can’t get past the challenge of information asymmetry without meeting people locally, especially for access to investment opportunities. Having a local presence is the only way to be recognized as part of the Silicon Valley community and to exchange investment opportunities. The locality, access to information and investment, and value of having a local office for investing in tech companies are significant.

Q — What are KIC’s advantages, in terms of business opportunities?

A — Market participants recognize KIC as one of the largest managers in the world. They also know that as a sovereign wealth fund, we have permanent capital. KIC is favored for its ability to invest long-term and to respond quickly to the market through local, in-person meetings.

That’s why many well-known companies are receptive to KIC. In fact, the door is open for us to meet with companies we want to invest in, and we often find opportunities during meetings and discussions. We invest conservatively, so not every discussion leads to an investment. But we get opportunities you wouldn’t if you weren’t an institutional investor with a high AUM. So that’s an advantage.

Q — How do you interact with Korean financial institutions in the San Francisco and Silicon Valley region?

A — There are a number of Korean financial institutions in the region, including government-funded organizations such as the Korea Development Bank and Korea Venture Investment, GPs such as Hanwha Asset Management and Korea Investment Partners, and CVCs such as Samsung Ventures and LG Tech Ventures.

KIC mainly helps connect private firms and CVCs with local companies and managers; we can arrange meetings and investment discussions, etc. KIC also helps domestic financial institutions expand their local network through the bi-annual Silicon Valley International Finance Summit.

Q — What does your typical day at work look like?

A — I meet with other institutional investors to research market trends and exchange opinions on investment opportunities, the companies they’ve invested in/are considering, etc. I meet with asset managers to see if there are new companies we can consider investing in and also meet with representatives of our invested companies for updates. I share what I learn with colleagues in San Francisco and headquarters to get feedback. And I prepare and review materials for the investment review committee, which decides whether we’ll go through with an investment.

Q — What made you join KIC?

A — A major benefit of working at KIC is its stable and growing asset base. This stability is an attraction given the global economy and asset management industry is facing uncertain and volatile times. In 2018, KIC was growing faster than many sovereign wealth funds and observing rapid growth in AUM. At the current point in time, growth also remains robust. Additionally, the culture of humility, respect, and consistency is something which should be celebrated.

Q — What role does KIC’s London office play in managing the overall portfolio?

A — The London office is a key gateway into UK and European investments across asset classes. Europe is a very diverse group of countries with hundreds of different companies. Knowledge of, and experience with, these companies is key to investing in the region. Hence the London office provides a gateway into the region for investing and insights for headquarters into broader macroeconomic and asset allocation considerations.

And there are multiple reasons why being local in Europe is important. This includes the time difference and the diversity of Europe. The European market encompasses many different countries, companies, restrictions, and customs. Thus, one needs to be close to the region in order to talk on a daily basis with truly local contexts.

As a local employee, I try to bring over two decades of experience to benefit KIC. I have been interacting with all local investment banks and many corporates over this period. Additionally, I hope that experience through more than one recessionary period will help the organization at a time when we are living through a very prolonged economic cycle.

Q — What’s on your schedule for today?

A — The first thing in the morning, I had a meeting with a portfolio manager from the Seoul headquarters. We discussed the global investment approach of KIC, which is also relevant to Europe. Subsequently, I have other meetings with investment banks on investment strategies. Later in the afternoon, I will have a meeting with a company in our portfolio to discuss its recent fourth quarter trading update and outlook for this year. Then, I will monitor our portfolio and equity market movements to see if there are any major implications for our funds and if any adjustments are needed. We have regular interaction with headquarters on developments related to our fund and the macroeconomic landscape, on top of regular dialogue with senior management.



Asim Rahman, Senior Director

London

Asim Rahman, based in KIC’s London office, started his career in 2000 at a global investment bank and later worked as an analyst and fund manager specializing in European equities at asset management companies in Europe. He joined KIC in 2018 as part of the London office’s local recruitment program and is responsible for managing European equities.

Investment Stewardship and Sustainable Investment

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



Sustainable Investment

KIC established its Stewardship Principles in 2018 to set clear goals for our stewardship activities. At the same time, we began to elevate our role as Korea's sovereign wealth fund through sustainable investments that consider non-financial metrics, including environmental, social, and governance (ESG) factors. We also took our first step toward pursuing the global goal of sustainable development, in line with global capital market trends. In 2019, KIC strengthened its sustainable investment policy by adding a sustainable investing article to the KIC Investment Policy, which guides our investment activities, and establishing the KIC Sustainable Investment Guidelines. Then, in March of 2021, the National Assembly of Korea amended the Korea Investment Corporation Act to provide a legal basis for upholding our commitment to sustainable investing. In accordance with laws and regulations, KIC integrates ESG factors throughout the investment process and strives to increase stable, long-term returns.

ESG Integration

KIC has 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 this in the following ways.

First, we engage in sustainable investment, which considers ESG factors as key investment ideas. We have ESG strategy equity funds and green and social projects as alternative assets. We also make 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 projects and co-investments for alternative assets. 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 closely examine carbon emissions at the portfolio level for our equity and fixed-income investments. We have also expanded the scope of this review to analyze climate scenarios, disclosing the results using TCFD standards in KIC's 2022 and 2023 Sustainable Investment Reports.

Fourth, KIC limits the proportion of investments in companies with low ESG scores through using a special watchlist. We also run an ESG program that includes a strategy to avoid investing in specific themes and industries deemed problematic from an ESG perspective.

Going beyond the mere reinforcement of policies, KIC has been using sustainable investing as an investment strategy since April 2019, actively managing ESG strategy funds. Based on equity benchmarks, we 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 expanded investments in companies that effectively manage ESG risks.

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 Korea's green and sustainable sovereign bonds entrusted us (by the 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. In 2023, our disclosures were reviewed by an external organization and reflected in that year’s Sustainable Investment Report. Through these efforts, KIC aims to boost investor confidence in Korea’s green and sustainable sovereign bonds, drive global ESG investment growth and, over the long-term, contribute to achieving 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 build a sustainable investment model that is a global best practice.

(As of the end of December 2023)

ESG-dedicated Investing	Strategy Fund	ESG Core and ESG Global Strategy Funds	EQ external management April 2019
	Green & Social Project	Investment proceeds of the government’s Green & Sustainability Bond	Direct/indirect A June 2019
	GSS Bonds	Investing in green, social, and sustainability bonds	Direct/indirect FI
	Quant ESG Sub Strategy	Long-short model based on ESG score	Direct quant (EQ) investments June 2020
ESG Review	ESG Review for Traditional and Alternative Investments	Reviewing external managers and alternative investments	KIC’s entire portfolio January 2020
ESG Program	ESG Special Companies Program	Limiting exposures to low-ESG score names	Direct EQ/FI investments November 2019
	Exclusion Strategy	Excluding particular industries and themes	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 these 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. In 2023 in particular, KIC began exercising direct voting rights in line with our Stewardship Principles. And we plan to expand the exercising of these rights in stages.

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 sustainable investment. In these and other ways, we expand our partnerships with global institutional investors through sustainable investment-focused exchanges.

Notably, KIC is the first Korean public institutional investor to publish a sustainable investment report. We also hold 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 2023, KIC held the 5th KIC ESG Day with the Korea Chamber of Commerce and Industry, inviting international investment managers from the Korean public sector and ESG managers from domestic companies to discuss global shareholder rights. KIC shared about its sustainable investment policy and how sustainable investments can contribute to returns while continuing to expand our partnerships with institutional investors. Through discussing how domestic institutional investors can apply ESG, KIC promotes sustainable investments among domestic institutions.

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.

As the sovereign wealth fund of Korea, KIC strives to be one of the world's best and has a broad and tight-knit network of global financial investment institutions. This network is at the core of our ability to access valuable investment information and promising opportunities and secure an advantage in investment negotiations. As a representative of Korea in international capital markets, KIC participates in various global platforms to strengthen multilateral cooperation, and we are working to expand our global network.

Building a Global Network Through Cooperation with SWFs and Other Organizations

KIC is building a tight-knit global network through mutual cooperation with sovereign wealth funds. Since 2019, we have signed MOUs for cooperation with multiple funds to share investment information and engage in other types of exchange.

PRI

In 2022, KIC joined the UN-supported Principles for Responsible Investment^{PRI}, the world's leading proponent of responsible investment. Established in 2006, the PRI has more than 5,100 members and approximately USD 121 trillion in assets under management. KIC aims to become a globally leading sustainable investor by expanding its global network and honing its sustainable investment capabilities through the 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 18 members, in 2020, with French President Emmanuel Macron announcing our membership at the 2020 OPSWF CEO Summit. As an OPSWF member, KIC aims to more actively engage 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.



Development of
the Domestic
Finance Industry

As an overseas investor, KIC strives to support the development of Korea’s finance industry by sharing our global investment experience and management expertise with domestic financial institutions.

Partnership

Expanding mandates to domestic managers and co-investing with domestic financial institutions

KIC is expanding its mandates to domestic asset managers to help build their overseas investment know-how. In 2023, KIC selected, for the first time, a domestic manager for our global fixed-income investments.

By the end of the year, we selected six domestic managers – four for equities, one for hedge funds, and one for fixed-income assets. Going forward, KIC will increase the size of our mandates for domestic managers as well as diversify their asset classes and investment strategies in line with the development of Korea’s asset management industry.

KIC also shares information on promising investment opportunities with major domestic institutional investors and promotes ongoing collaboration. We identify high-quality alternative investment opportunities, discuss co-investment opportunities with domestic institutional investors, and provide information and share networks related to major alternative investment institutions overseas, facilitating a better understanding of the global market.

In 2021, KIC established a hedge fund joint venture^{JV} with the National Agricultural Cooperative Federation and National Federation of Fisheries Cooperatives to support domestic financial institutions investing in overseas hedge funds. In 2022, the Seoul Guarantee Insurance Company and Tongyang Life Insurance joined the JV.

We will continue our multifaceted efforts to grow with Korea’s asset management industry and institutional investors.

Expanding cooperation with domestic brokerage firms and international investment advisors

KIC uses the platforms of domestic securities firms for global equity trading. To bolster their trading capabilities, we introduced a quota program in 2020 to entrust the firms with a portion of our equity transactions.

We started with a 10% entrustment threshold for domestic brokerage firms and expanded it to 20% in 2023. We also doubled the number of participating securities firms last year.

Going forward, KIC plans to strengthen communication with domestic securities firms, facilitating the development of robust overseas equity trading capabilities beyond mere entrustments.

KIC also actively collaborates with Korean financial firms in overseas alternative investments to enhance the loan-execution capabilities for global investments of domestic banks and securities firms. We are progressively broadening the participation of domestic banks’ overseas branches in loan syndications. And in 2023, we executed more than USD 700 million in new loans through domestic financial firms.

When investing in alternative assets, KIC also works with domestic institutions in the advisory process—including legal, tax, accounting, and consulting firms—to bolster their ability to advise on global alternative investments.

KIC encourages overseas financial institutions to enter the Korean market as well, to share advanced financial know-how with the domestic finance industry.

Through active communication, we help major counterparties better understand the Korean market and recognize the need to do business here. And when selecting new managers, we consider whether they will.

Knowledge Sharing

Public Community for Overseas Investment PCOI

KIC launched the Public Community for Overseas Investment (PCOI) in 2014 as a platform for sharing overseas investment information and experiences with domestic pension funds, mutual aid associations, and specialized banks. The PCOI has 26 member institutions as of the end of 2023.



























In 2023, KIC held four meetings of the PCOI. In the first half of the year, meetings focused on the global macro-economy, bond market, and asset allocation strategies. In the latter half, participants looked at the private debt market as an investment strategy for effectively responding to an environment of inflation and higher interest rates. KIC also held an "ESG Day" co-organized by the Korea Chamber of Commerce and Industry to discuss how domestic companies should respond to the expansion and revitalization of ESG investments.

KIC will continue to support the development of Korea’s finance industry by sharing our global investment expertise with member institutions.

Highlights of the Public Community for Overseas Investment in 2023

Date	Conference Agenda
2023. 02. 17.	Macro-economic forecast for 2023
2023. 06. 23.	The global fixed-income market
2023. 09. 22.	Private equity investment strategies
2023. 12. 15.	ESG and shareholder rights: Global trends and how domestic companies can respond

Members of the Public Community for Overseas Investment

Institution Name	Institution Name	Institution Name
Korea Investment Corporation 	Korea Post 	Police Mutual Aid Association 
Government Employees Pension Service 	Science and Technology Employees' Mutual Aid Association 	International Finance Center 
Military Employees' Mutual Aid Association 	Korea Local Government Employees' Mutual Aid Association 	Private School Teachers' Pension Fund 
Korea Teachers' Mutual Aid Association 	Korea Development Bank 	Korea Eximbank 
Korea Asset Management Corp 	Public Officials Benefit Association 	Construction Workers Mutual Aid Association 
Korea Trade Insurance Corporation 	Korea Fire Officials Credit Union 	Korea Hydro & Nuclear Power 
Korea Federation of SMEs 	Korea Labor Welfare Corporation 	Korea Cooperative Insurance Corporation 
Korea Deposit Insurance Corporation 	Korea Federation of Agricultural Cooperatives 	Korea Federation of Industrial Unions 
Korea Atomic Energy Agency 	SGI Seoul Guarantee Insurance Company 	

International Financial Cooperation Council IFCC

KIC runs the International Financial Cooperation Council with its overseas offices in the global financial centers of New York, London, Singapore, and San Francisco. Our aim is to share investment information and promote mutual cooperation with Korean public and private investment institutions in each region.

The IFCC was launched in 2017 in New York, 2018 in London, 2019 in Singapore, and 2022 in San Francisco. The councils hold meetings featuring presentations and discussions with experts from leading local asset managers and investment banks. In 2023, KIC held seven meetings in New York, five in London, one in Singapore, and two in San Francisco.

Through the IFCC, KIC shares information on global financial market trends and promising investment targets. We also seek economies of scale by collaborating on co-investments when identifying excellent investment opportunities.

We strive to serve as an active gateway for domestic investors entering overseas markets and networks.

Overseas Office	IFCC Members
New York	Korea Investment Corporation, Consulate General of the Republic of Korea in New York, National Pension Service, International Financial Center, Financial Supervisory Service, Korea Eximbank, 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, Hana Bank, Hanmi Bank, Mirae Asset Securities, Samsung Securities, KB Securities, Korea Investment & Securities, NH Investment & Securities, Shinhan Financial Investment, Samsung Asset Management, Mirae Asset Management, Hanwha Asset Management, Samsung Life, Kyobo Life, Korean Reinsurance, Hyundai Marine Fire Insurance, DB Insurance, SGI Seoul Guarantee, Hanwha Holdings America, Korea International Trade Association, Mastern America, etc.
London	Korea Investment Corporation, Embassy of the Republic of Korea in the United Kingdom, National Pension Service, Financial Supervisory Service, Korea Eximbank, Bank of Korea, KB Kookmin Bank, Industrial Bank of Korea, Korea Development Bank, Shinhan Bank, Woori Bank, Hana Bank, Nonghyup Bank, Mirae Asset Securities, Samsung Securities, Korea Investment & Securities, NH Investment & Securities, Kyobo Life Insurance, Samsung Fire & Marine Insurance, Korean Reinsurance, Hyundai Marine Fire Insurance, Samsung Asset Management, Aegis Asset Management, etc.
Singapore	Korea Investment Corporation, Embassy of the Republic of Korea in Singapore, Korea Development Bank, Korea Eximbank, Shinhan Bank, Hana Bank, KB Kookmin Bank, Korea Investment & Securities, Mirae Asset Securities, Pinetree Securities, KB Asset Management, KIARA Advisors, NH Absolute Return Partners, DGB Financial Holdings Singapore, Hanwha Asset Management, Korean Reinsurance, Samsung Fire & Marine Insurance, National Pension Service, KRX, Korea Housing Finance Corporation, Korea Trade Insurance Corporation
San Francisco	Korea Investment Corporation, Samsung Ventures, LG Tech Ventures, Mando Innovation, GS Futures, SK Discovery, Korea Development Bank, Korea Venture Investment, Hanwha Asset Management

International Finance Academy

The International Finance Academy was launched in 2022 to support the development of the domestic finance industry. It has since been fostering overseas investment professionals and strengthening their capabilities. In 2023, the academy held 15 seminars on overseas investment with lecturers comprising mainly current and former KIC employees. Through selecting topics based on target audience and broadening the scope of participants, the academy attracted 377 people from 67 organizations.

KIC plans to grow the International Finance Academy with its asset management know-how and network. Through identifying topics that reflect educational needs and widening participant scope, we aim to help grow Korea’s overseas investor base and develop the domestic finance industry.

Risk Management

The aim of KIC's risk management is to control investment risk within certain limits and appropriately manage potential losses. KIC has 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, alternative investment 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

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

Credit Risk

- Include securities-related credit risks and counterparty credit risks

Derivatives Risk

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

Operational Risk

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

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 2023, in response to financial market volatility, we actively managed the minimum and maximum ex-ante tracking error for the combined portfolio in the 30-50 bps range. By asset class, the tracking error for equity was within 44-68 bps and for fixed income, 21-43 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 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 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.

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. 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, KIC monitors 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 Korea’s finance 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.



GOVERNANCE & ORGANIZATION

52	Governance & Organization
58	Management Philosophy
60	Ethical Management
62	Talent Development
64	Social Contributions
66	Milestones

Governance & Organization

KIC's Governance Structure

KIC is committed to ethical and transparent management. We manage national assets in a stable manner with an honest and fair system. And we faithfully carry out our social responsibilities for the future of Korea.

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. [Korea Investment Corporation Act, Article 35](#)

Steering Committee

The Steering Committee deliberates on and makes decisions regarding the following matters: revision of regulations, mid- and longterm 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.

[Korea Investment Corporation Act, Article 9](#)

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.

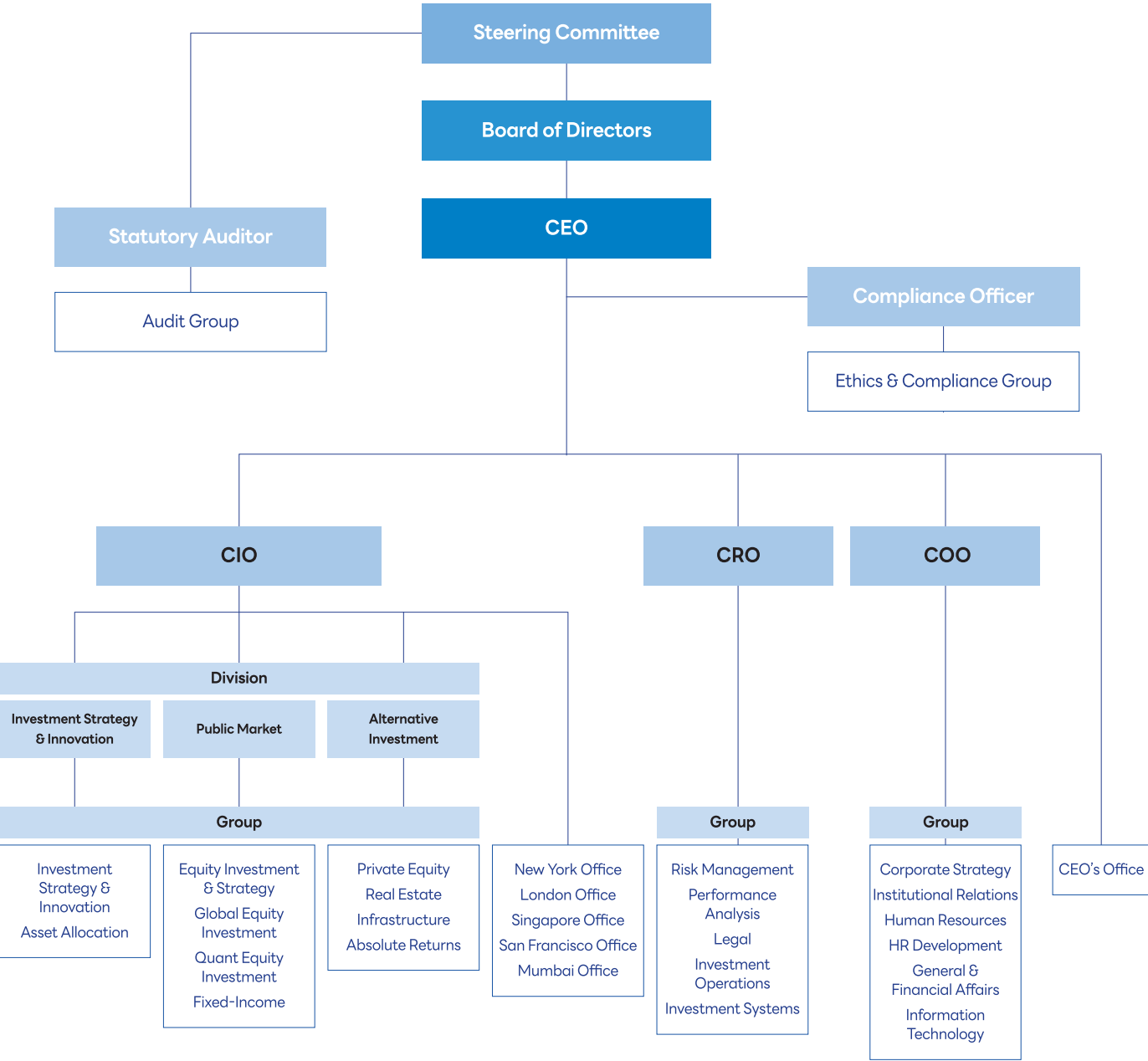
Board of Directors

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. [Korea Investment Corporation Act, Article 24](#)

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.

Organization



* 3 units / 3 divisions / 24 groups

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

339 total employees [As of April 2024](#)

Steering
Committee

Steering Committee Overview

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.

As of December 2023

Category	Steering Committee	Investment Subcommittee	Risk Management and Audit Subcommittee	Budget Subcommittee	Evaluation Remuneration Subcommittee
Sedon Shin	Chairman				
Nayoung Kim	Member	Member	Member		
Dong-Hwan Kim	Member		Chairman	Member	
Seok Joong Kim	Member	Member			Chairman
Kwanho Shin	Member		Member	Chairman	
Donghyun Ahn	Member	Chairman			Member
Ministry of Economy and Finance ^{Minister}	Member			Member	Member
Bank of Korea ^{Governor}	Member			Member	Member
KIC ^{CEO}	Member	Member	Member		



Sedon Shin
Chairman
Honorary Professor,
Sookmyung Women's University



Nayoung Kim
Member
Head, Korea Financial Services
Cloud Business Development,
Amazon Web Service



Dong-Hwan Kim
Member
Honorary Research Fellow,
Korea Institute of Finance



Seok Joong Kim
Member
Advisor,
AlphaOne Investment



Kwanho Shin
Member
Professor, Department of
Economics, Korea University



Donghyun Ahn
Member
Professor,
Seoul National University

Executive Management



Seoungho Jin
Chairman & CEO



Kwangsik Cho
Statutory Auditor



Hoon Lee
Chief Investment Officer



Hoseok Jung
Chief Risk Officer



Sangmin Lee
Chief Operating Officer

Seoungho Jin
Chairman & CEO

- B.A., Economics, Seoul National University
- M.A., Economics, University of Manchester
- Ph.D., Economics, University of Manchester

- 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
- 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

Kwangsik Cho
Statutory Auditor

- B.A., Business, Pusan National University
- MBA, International Finance, Hankuk University of Foreign Studies

- CEO, BNK Securities
- CEO, KS Investment
- Head of Investment Banking, Hi Investment & Securities
- E-Trade Securities (Currently LS Group)
 - Head of Investment Banking
 - Head of Corporate Business
- LG Investment and Securities (Currently NH Investment & Securities)
- Bank of America

Hoon Lee
Chief Investment Officer

- B.A., Economics, Sogang University
- MBA, University of California at Berkeley, USA

- Korea Investment Corporation
 - 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
- Korea Investment & Securities Co., Woori Investment & Securities, Samsung Securities Co. Research Centers
- Macquarie-IMM Asset Management Department
- LG Investment & Securities Research Center
- Daewoo Capital Management

Hoseok Jung
Chief Risk Officer

- B.A., Economics, Seoul National University
- MBA, University of Rochester, USA

- Bank of Korea
 - 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
 - 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

Sangmin Lee
Chief Operating Officer

- B.A., Accounting and Finance, Sungkyunkwan University

- Korea Investment Corporation
 - Chief Compliance Officer
 - Managing Director, Investment Operations Management Division
 - President, KIC Singapore
 - Head, Corporate Strategy Group
 - Head, Investment Operations Group
- Director, General & Financial Affairs Group, Deutsche Asset Management
- Head, Risk Management Team, PCA Asset Management
- Head, Fund Accounting Team, Franklin Templeton Investment

Management Philosophy

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 <ul style="list-style-type: none">Stronger asset allocation and investment capabilitiesResponsible investingPreemptive risk management system	Support the domestic finance industry <ul style="list-style-type: none">Overseas investment leadershipCooperation with domestic finance industry	Engage in responsible management <ul style="list-style-type: none">Better organizational and performance managementEnhanced internal controls and transparent management
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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

Our Future

- TALENT**

Respecting individual talent and expertise
We respect the expertise of our employees, who come from diverse backgrounds, through talent-focused management.
- RENOVATION**

Embracing innovation and change
We seek continuous growth through ongoing innovation and change.
- UNITY**

Unified through a healthy corporate culture
We strive for unity through a corporate culture of mutual trust and respect.
- STANDARD**

Setting global SWF standards
We aim to set the standard for investment expertise and returns for sovereign wealth funds globally.
- TOMORROW**

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



Ethical Management

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 - Education

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).



Recruitment

KIC strives to contribute to growing Korea's national wealth and developing the country's finance industry by recruiting talented, ambitious, and creative individuals who can shape the future. We use a "blind recruitment" method, which excludes factors that could cause bias such as hometown, family details, education, and gender and evaluates job skills alone.

We hire talented individuals with core competencies in equity, fixed-income, alternative investment, and risk management. We are also expanding staff in our overseas offices to enhance our global investment expertise and for more staff diversity.

Training

KIC has established an advanced talent development system as a part of the mid- to long-term talent development master plan created in 2021 to foster global financial professionals.

The master plan was designed in line with the life cycle of an individual, from recruitment to retirement. It comprises four parts – K-Future, for new employees; K-Milestone, for all employees; K-Global, for employees overseas; and K-Leadership, for leaders – and provides training roadmaps in accordance with employees' job level and competency.

In 2023, KIC developed an overseas job-training program called the Global Financial Markets Boot Camp to bolster the overseas investment capabilities of junior employees. We plan to develop this into a flagship program to attract outstanding talent.

KIC will continue to expand its education and training programs to foster employee growth and boost organizational competitiveness.

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.

K-Future Program	K-Milestone Program
Training for New Hires <ul style="list-style-type: none"> Education on core values, common competencies, job competencies, and organizational culture Must complete all levels of the course within the first two years of being recruited Global Financial Market Boot Camp, an overseas job training course Training for New Recruits <ul style="list-style-type: none"> Must complete onboarding training to understand KIC and adapt to the organization Operation of an organizational adaptation system <i>Amigo</i> 	<ul style="list-style-type: none"> 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	K-Leadership Program
<ul style="list-style-type: none"> Expatriates and locally hired employees Regular programs at headquarters for the local staff of overseas offices Cross-cultural training to improve cultural understanding between headquarters and overseas offices Capacity building courses are run the same way as the K-Milestone Program's common and job competency training 	<ul style="list-style-type: none"> 3 levels: New recruits and those newly promoted, group heads, executives Leadership seminars on general topics for employees level 3 and above Intensive leadership training for new hires Small group coaching for group heads Customized coaching for executives
K-Happiness Program	<ul style="list-style-type: none"> 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

Social Contribution Activities

KIC is dedicated to sharing and volunteering for the prosperity of future generations – and to fulfilling our social responsibility as a public institution.

KIC continues to give back and contribute to society with the aim of creating a better world for future generations.

Since 2021, we have focused on caring for underprivileged children and on supporting their independence. In 2023, we reclassified our contribution methods as follows: Supporting the Happiness of Future Generations, Supporting the Hopes of the Vulnerable, Supporting Global Social Contribution, and Domestic Volunteer Service.

KIC's Social Contribution Committee meets every quarter to ensure our social contributions remain aligned with KIC's mission, fulfill our social responsibility, and are carried out with a spirit of service.



Supporting the Happiness of Future Generations

KIC works to ensure the health and happiness of future generations. We help children and teens at shelters as well as young adults preparing to be economically independent get the qualifications they need. We also provide scholarship support for low-income college students, sponsor the Didim Seed Account sponsorship program, and provide books and reading programs for local children's centers in mountainous areas. We also offer educational support for children and youth from multicultural families and single-parent families.

We support children with rare diseases as well. We take care of the educational expenses for children with rare and incurable diseases and medical expenses for children with pediatric cancer and rare and incurable diseases as well as for children at medical institutions.



Supporting Global Social Contribution

KIC supports relief and development projects in underdeveloped countries and sponsors children's relief projects overseas. Our offices in the United States, London, and Singapore also carry out various volunteer activities and promote social contribution in their respective regions. Our goal is to help lay the foundation for global service-related cooperation.

In particular, in 2023, KIC employees resumed their overseas medical volunteer work, which had been suspended due to Covid-19. We visited and provided medical services in the Danlun district of Siem Reap, Cambodia. And we held a program to support the economic independence of vulnerable groups in the Pwani Region of Tanzania, Africa.



Supporting the Hopes of the Vulnerable

KIC fosters hope by supporting vulnerable populations and those in need of disaster relief.

We provide vocational training and hold sporting events for people with disabilities, produce promotional videos to improve disability awareness, and promote the use of learning devices for students with disabilities.

We also provide holiday meals and oil for heat during the winter as well as support humanities programs and psychotherapy for vulnerable groups.

In the wake of unexpected disasters, including the wildfires in Gangwon Province or the earthquake in Turkey last year, we donated money to support recovery efforts and to help people regain a sense of normalcy.



Domestic Volunteer Service

KIC volunteers in Korea through regular and irregular programs.

With the Korean Open Doctor's Society, we regularly provide medical services to families in medically vulnerable areas and foreign workers. During holidays, we provide food and kimchi for those with disabilities and, through the Seoul Senior Welfare Center, special meals for seniors. Twice a year, we also provide homemade bread to vulnerable groups.

KIC also offers financial training for youth in the Seoul area, donates goods to a homeless center at Seoul Station, and holds an annual Hope T-shirt campaign. In 2023, we launched the Ploking Volunteer Program to clean up litter and held activities to support the emotional wellbeing of children living in institutions.

In recognition of our work, KIC last year received the National Assembly Member Award from the Jongno District in Seoul and the 2023 Minister of Health and Welfare Commendation for Contributions to Child Welfare for our support of the Didim Seed Account sponsorship program since 2019. We will continue to shine the light of hope for those in need.

Milestones

2005

3 Promulgation of the Korea Investment Corporation Act
7 Korea Investment Corporation^{KIC} established

2006

11 Began global fixed-income investments

2007

4 Began global equity investments
8 Exceeded USD 10 billion in AUM

2009

2 Established the Risk Management Division
8 Began global alternative investments

2010

7 Opened the New York Office

2011

12 Opened the London Office

2012

9 Exceeded USD 50 billion in AUM

2014

3 Launched the Public Community for Overseas Investment^{PCOI}
9 Launched the Co-investment Roundtable Of Sovereign And Pension Funds^{CROSAPF}

2015

7 Celebrated KIC's 10th anniversary

2016

6 Exceeded USD 100 billion in AUM

2017

9 Opened the Singapore Office

2018

12 Adopted the Stewardship Principles

2019

10 Exceeded USD 150 billion in AUM

2020

7 Celebrated KIC's 15th anniversary

2021

3 Opened the San Francisco Office
12 Exceeded USD 200 billion in AUM

2022

4 Launched the International Finance Academy
12 Joined the Principles for Responsible Investment^{PRI}

2023

10 Entrusted for the first time with a non-dollar foreign currency^{JPY 67 billion}

2024

4 Opened the Mumbai Office

FINANCIAL STATEMENTS

70	Independent Auditors' Report
72	Financial Statements

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, 2023 and December 31, 2022, 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, 2023 and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with Accounting Standards for Non-Public Entities 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 Accounting Standards for Non-Public Entities in the Republic of Korea, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Grant Thornton Daejoo

Grant Thornton Daejoo
2913, Nambusunhwan-ro, Gangnam-gu, Seoul, 06280, Korea
March 18, 2024

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,
2023 and 2022

(KRW thousand)				
	Note	2023	2022	
Assets				
Cash and due from banks	4, 10	₩ 204,270,146	211,410,023	
Accrued incomes, less allowance for doubtful accounts of ₩ 599,221 in 2023 and ₩ 320,468 in 2022	10, 15	119,245,009	63,773,152	
Securities	5	182,986,792	180,082,966	
Property and equipment	6, 7	3,742,069	3,811,939	
Intangible assets	8	5,288,592	7,725,862	
Investments	10	5,222,367	10,672,083	
Accounts receivable, less allowance for doubtful accounts of ₩ 813 in 2023 and ₩ 786 in 2022	10	161,923	156,444	
Loans, less allowance for doubtful accounts of ₩ 217 in 2023 and ₩ 163 in 2022		43,175	32,399	
Other assets	10	1,271,110	1,150,546	
Total assets		₩ 522,231,183	478,815,414	

(KRW thousand)				
	Note	2023	2022	
Liabilities				
Accrued expenses	10	₩ 49,269,996	50,054,696	
Withholdings		603,073	887,762	
Accounts payable	10	1,343,456	1,598,819	
Income tax payable	14	30,268,141	13,544,644	
Provision for retirement and severance benefits	9	18,489,706	11,149,093	
Pension plan assets		(18,489,706)	(11,149,093)	
Deferred tax liabilities	14	6,814,738	9,113,642	
Total liabilities		88,299,404	75,199,563	
Equity				
Capital	1, 12	100,000,000	100,000,000	
Retained earnings	13	333,931,779	303,615,851	
Total equity		433,931,779	403,615,851	
Total liabilities and equity		₩ 522,231,183	478,815,414	

See accompanying notes to the financial statements.

Statement of
Income

For the years ended
December 31, 2023 and 2022

(KRW thousand)				
	Note	2023	2022	
Operating revenue				
Investment management fees	15	₩ 323,489,790	270,694,149	
Gain on foreign exchange	10	8,840,084	16,481,287	
Interest income		7,155,225	4,518,127	
Dividend income		5,337,468	3,906,608	
Gain on financial assets at fair value through profit or loss	5	2,903,826	16,064,040	
Reversal of allowance for bad debt		-	547,839	
		347,726,393	312,212,050	
Operating expenses				
Fee expenses		(102,434,021)	(122,010,269)	
Loss on foreign exchange	10	(11,405,054)	(11,225,046)	
General and administrative expenses	16, 17	(108,561,434)	(69,218,767)	
		(222,400,509)	(202,454,082)	
Operating income		125,325,884	109,757,968	
Non-operating revenue				
Income from pension plan assets		978,302	279,796	
Other income		7,097	3,205	
		985,399	283,001	
Non-operating expenses				
Loss on disposal of property and equipment		-	(2,718)	
Donations		(14,814)	(1,724)	
Other expense		(1,012,835)	(935,510)	
Income before income tax		125,298,448	109,105,459	
Income tax expense	14	(30,915,370)	(29,021,521)	
Net income		₩ 94,383,078	80,083,938	

See accompanying notes to the financial statements.

Statement of
Changes in Equity

For the years ended
December 31, 2023 and 2022

(KRW thousand)				
	Capital		Retained earnings	Total equity
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
Balance on January 1, 2023		100,000,000	303,615,851	403,615,851
Dividends		-	(64,067,150)	(64,067,150)
Net income for the year		-	94,383,078	94,383,078
Balance on December 31, 2023	₩	100,000,000	333,931,779	433,931,779

See accompanying notes to the financial statements.

Statement of Cash Flows

For the years ended December 31, 2023 and 2022

(KRW thousand)		
	2023	2022
Cash flows from operating activities		
Net income	₩ 94,383,078	80,083,938
Adjustments for:		
Severance benefits	8,487,502	(1,418,181)
Depreciation	1,372,516	1,362,153
Amortization	2,609,229	2,589,655
Loss on foreign currency translation	4,083,015	4,532,278
Provision for allowance for doubtful accounts	278,835	4,849
Loss on disposal of property and equipment	0	2,718
Gain on foreign currency translation	(743,143)	(1,656,917)
Reversal of allowance for bad debt	0	(547,839)
Gain on financial assets at fair value through profit or loss	(2,903,826)	(16,064,040)
Income from pension plan assets	(978,302)	(279,796)
Changes in assets and liabilities:		
Decrease (increase) in accrued income	(59,831,051)	104,003,584
Decrease (increase) in accounts receivable	(5,171)	82,751
Decrease (increase) in other assets	(38,668)	981,433
Increase (decrease) in accrued expenses	(189,272)	(24,625,481)
Increase (decrease) in withholdings	(284,689)	315,549
Increase (decrease) in accounts payable	(253,742)	588,418
Increase (decrease) in income tax payable	16,723,498	(24,812,930)
Payments to severance benefits	(1,146,888)	(2,219,205)
Decrease (increase) in pension plan assets	(7,356,214)	(1,941,322)
Increase (decrease) in deferred tax liabilities	(2,298,905)	5,917,313
Net cash provided by operating activities	51,907,802	126,898,928

(KRW thousand)		
	2023	2022
Cash flows from investing activities		
Decrease in time deposits included in cash and due from banks	85,000,000	165,000,000
Decrease in certificate of deposit included in cash and due from banks	70,155,238	5,000,000
Refund of leasehold deposits	146,616	102,926
Decrease in other investments	6,471,364	
Increase in time deposits included in cash and due from banks	(150,000,000)	(90,000,000)
Increase in certificate of deposit included in cash and due from banks	(40,155,238)	(60,000,000)
Increase in loans	(10,830)	(14,252)
Acquisition of property and equipment	(1,302,645)	(1,223,582)
Acquisition of intangible assets	(171,959)	(192,053)
Payment for leasehold deposits	(113,075)	(640,213)
Net cash used in investing activities	(29,980,529)	18,032,826
Cash flows from financing activities		
Dividends paid	(64,067,150)	(117,616,729)
Net cash used in financing activities	(64,067,150)	(117,616,729)
Net increase (decrease) in cash and cash equivalents	(42,139,877)	27,315,025
Cash and cash equivalents at beginning of year	61,410,023	34,094,998
Cash and cash equivalents at end of year	₩ 19,270,146	61,410,023

See accompanying notes to the financial statements.

Notes to the
Financial
Statements

For the years ended
December 31, 2023 and 2022

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, 2023, the Corporation is wholly owned by the Government, and the paid-in capital of the Corporation amounted to W100 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, 2023 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 is recognized in profit or loss using the effective interest method.

At each reporting date, the Corporation reviews whether events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reliably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss is recorded and the reversal of an impairment loss does not exceed the carrying amount that would have been determined without having recognized an impairment loss in prior years. The reversal is recognized in profit or loss.

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

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

(4) 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 give 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, 2023, 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, 2023 and 2022 are as follows:

(KRW thousand)				
Annual interest rate (%)		2023	2022	
Cash and cash equivalents				
Money market deposit accounts	3.18	₩ 118,455		314,154
Money market trust	3.49~3.80	6,900,000		17,850,000
Specified money trust	3.67~5.30	2,613,510		39,210,000
Ordinary deposits	0.10	49,017		56,900
Foreign currency deposits	0.00~0.10	9,589,164		3,978,969
		19,270,146		61,410,023
Time deposits	3.83~5.38	155,000,000		90,000,000
Certificate of deposit	4.05~4.12	30,000,000		60,000,000
		185,000,000		150,000,000
		₩ 204,270,146		211,410,023

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, 2023 and 2022 are summarized as follows:

(KRW thousand)				
	2023		2022	
	Acquisition cost	Fair value	Book value	Book value
IGIS No. 43-1	₩ 27,400,000	28,141,992	28,141,992	26,813,366
Mirae Asset Trust No. 2-3	110,000,000	154,844,800	154,844,800	153,269,600
	₩ 137,400,000	182,986,792	182,986,792	180,082,966

6. Property and Equipment

Changes in property and equipment for the years ended December 31, 2023 and 2022 are as follows:

(KRW thousand)					
	Beginning balance	Acquisition	Disposal (*)	Depreciation	Ending balance
Computer equipment	₩ 2,700,559	1,270,911	-	(1,091,589)	2,879,881
Office equipment	542,114	31,734	-	(142,590)	431,259
Leasehold assets	569,266	-	-	(138,337)	430,929
	₩ 3,811,939	1,302,645	-	(1,372,516)	3,742,069

(*) Fully-depreciated office equipment is disposed for the year ended December 31, 2023. Its acquisition costs is ₩1,239 thousand.

(KRW thousand)					
	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.

7. Insured Assets

Insurance contracts maintained by the Corporation as of December 31, 2023 are as follows:

(KRW thousand)				
Category of insurance	Classification	Insured assets	Insured amount	Insurance company
Movables comprehensive insurance	HQ	Computer equipment	₩ 13,843,572	MG Non-Life Insurance
		Office equipment		
		Leasehold assets		
	New York And San Francisco	Computer equipment	1,619,873	CNA
		Office equipment		
		Leasehold assets		
	London	Computer equipment	448,737	AXA Insurance
		Office equipment		
		Leasehold assets		
	Singapore	Computer equipment	337,017	QBE Insurance
		Office equipment		
		Leasehold assets		

8. Intangible Assets

Changes in intangible assets for the years ended December 31, 2023 and 2022 are as follows:

(KRW thousand)				
		Development costs	Computer Software	Total
Net balance at the beginning of 2023	₩	6,721,771	1,004,091	7,725,862
Additions		-	171,959	171,959
Amortization (*)		(2,202,979)	(406,250)	(2,609,229)
Net balance at the end of 2023	₩	4,518,792	769,800	5,288,592
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

(*) 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, 2023 and 2022 are as follows:

(KRW thousand)			
	2023	2022	
Provision for retirement and severance benefits at beginning of year	₩	11,149,093	14,786,479
Payments		(1,146,888)	(2,219,205)
Accrual for retirement and severance benefits		8,487,501	(1,418,181)
Provision for retirement and severance benefits at end of year	₩	18,489,706	11,149,093

Pension plan assets as of December 31, 2023 and 2022 are as follows:

(KRW thousand)			
	2023	2022	
Principal guarantee financial instruments(*)	₩	19,483,608	17,620,458

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

Changes in pension plan assets for the years ended December 31, 2023 and 2022 are as follows:

(KRW thousand)			
	2023	2022	
Beginning balance	₩	17,620,458	15,399,341
Increase		2,620,299	3,442,848
Decrease		(757,149)	(1,221,731)
Ending balance(*)	₩	19,483,608	17,620,458

(*) 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, 2023 and 2022 are ₩504,870 thousand and ₩516,880 thousand, respectively.

10. Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2023 are as follows:

(KRW thousand)					
	Foreign currency		Exchange rate	Translated into won	
Assets					
Deposits	USD	6,966,075.89	₩	1,289.40	8,982,058
	GBP	312,675.44		1,641.79	513,347
	SGD	95,979.37		976.86	93,758
Accrued income	USD	90,593,326.90		1,289.40	116,811,037
Other assets	USD	548,757.36		1,289.40	707,568
	GBP	416,800.24		1,641.79	684,298
	SGD	142,119.71		976.86	138,831
				₩	127,930,897
Liabilities					
Accrued expenses	USD	23,007,599.94	₩	1,289.40	29,665,999
	GBP	4,285.04		1,641.79	7,035
	SGD	9,818.82		976.86	9,592
Accounts payable	USD	331,768.51		1,289.40	427,782
	GBP	199,292.10		1,641.79	327,196
	SGD	23,072.15		976.86	22,538
	EUR	356.09		1,426.59	508
	INR	13,806.00		15.50	214
				₩	30,460,864

Regarding foreign currency translations, the Corporation recognized operating revenue of ₩846,579 thousand and operating expenses of ₩4,083,015 thousand for the year ended December 31, 2023.

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

11. Commitments and Contingencies

As of December 31, 2023, 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 189,447,218,534.52 as of December 31, 2023.

There are no pending litigations as of December 31, 2023.

12. Capital

Capital as of December 31, 2023 and 2022 are as follows:

(KRW thousand)			
	2023	2022	
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 W1 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, 2023 and 2022 are as follows:

(KRW thousand)			
	2023	2022	
Earning reserve (*)	₩	63,719,738	63,719,738
Voluntary reserve		175,828,962	159,812,175
Unappropriated retained earnings		94,383,078	80,083,938
Total retained earnings	₩	333,931,778	303,615,851

(*) 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, 2023 and 2022 are as follows:

(KRW thousand)			
	2023	2022	
Unappropriated retained earnings			
Balance at beginning of year	₩	-	-
Net income for the year		94,383,078	80,083,938
Balance at end of year before appropriation	₩	94,383,078	80,083,938
Appropriation of retained earnings			
Earning reserve	₩	-	-
Voluntary reserve		-	16,016,787
Dividends (*)		94,383,078	64,067,151
Unappropriated retained earnings to be carried over to subsequent year	₩	-	-

(*) The Corporation's dividend for the year ended December 31, 2023 is estimated dividend, assuming a dividend ratio of 100%. The estimated dividend for the year ended December 31, 2022 was calculated W 64,067 million, assuming a dividend ratio of 80%, and the same amount was actually distributed.

14. Income Taxes

The components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

(KRW thousand)			
	2023	2022	
Current tax expense	₩	35,976,719	24,166,743
Changes in deferred tax from temporary differences		(2,298,905)	5,917,313
Supplementary payment of income taxes		(2,762,444)	(1,062,535)
Income tax expense	₩	30,915,370	29,021,521

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, 2023 and 2022 for the following reasons:

(KRW thousand)			
	2023	2022	
Income before income tax	₩	125,298,448	109,105,460
Income tax expense at statutory tax rates		28,481,942	25,941,521
Tax effects of permanent differences		28,576	22,101
Tax credit		(20)	(20)
Non-reflux income		2,073,604	4,553,384
Other adjustments		331,268	(1,495,465)
Income tax expense	₩	30,915,370	29,021,521
Effective tax rate		24.67%	26.60%

Changes in temporary differences for the year ended December 31, 2023 and deferred tax assets(liabilities) as of December 31, 2023 are as follows:

(KRW thousand)					
	Beginning balance	Increase	Decrease	Ending balance	Deferred tax assets (liabilities)
Accrued interest incomes	₩	-	(451,844)	-	(451,844)
Accrued expenses		2,993,149	16,348,702	(2,993,149)	16,348,702
Financial assets at fair value through profit or loss		(42,682,966)	(45,586,792)	42,682,966	(45,586,792)
Retirement and Severance		135,034	(24,096)	(31,737)	79,201
Benefits		101,786	42,736	(34,818)	109,704
Property and equipment	₩	(39,452,997)	(29,671,294)	39,623,262	(29,501,029)
					(6,814,738)

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
Financial assets at fair value through profit or loss		(26,618,926)	(42,682,966)	26,618,926	(42,682,966)
Retirement and Severance		-	878,115	(743,081)	135,034
Benefits		107,560	36,340	(42,114)	101,786
Property and equipment	₩	(13,207,973)	(38,775,362)	12,530,338	(39,452,997)
					(9,113,642)

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, 2023 are as follows:

Related party	Relationship
Ministry of Economy and Finance	Investor

Account balances with a related party as of December 31, 2023 and 2022 are as follows:

(KRW thousand)

Related party	Account	2023	2022
Ministry of Economy and Finance	Accured income	₩ 100,900,244	48,014,017

Significant transactions that occurred in the normal course of business with the related party for the years ended December 31, 2023 and 2022 are as follows:

(KRW thousand)

Related party	Account	2023	2022
Ministry of Economy and Finance	Investment management fees	₩ 259,991,080	207,217,254

16. General and Administrative Expenses

Details of general and administrative expenses for the years ended December 31, 2023 and 2022 are as follows:

(KRW thousand)

	2023	2022
Salaries and wages(*)	₩ 50,850,681	26,549,656
Accrual for retirement and severance benefits	8,992,372	(901,301)
Other employee benefits	6,447,151	6,468,639
Advertising	115,046	137,170
Travel	2,132,897	1,717,130
Communications	432,017	418,408
Computer system operation expenses	9,183,050	7,682,592
Taxes and dues	491,323	532,536
Rental expenses	7,339,624	4,914,850
Other service fees	1,466,277	2,500,614
Depreciation	1,372,516	1,362,153
Amortization	2,609,229	2,589,655
Business development expenses	156,223	158,458

	2023	2022
Business meetings	397,653	439,089
Printing	77,729	78,064
Vehicle maintenance expenses	163,667	161,353
Supplies	123,456	123,017
Repairs and maintenance	34,429	54,786
Utilities	2,494, 247	2,232,420
Insurance	84,047	11,026
Legal expenses	1,365	664
Event expenses	207,337	156,558
Information expenses	12,060,930	10,866,410
Training	1,002,514	911,674
Books and periodicals	37,836	40,313
Prize	8,983	7,984
Bad debt expenses	278,835	4,849
	₩ 108,561,434	69,218,767

(*) The Corporation pays executives and staff performance bonuses based on management performance evaluations conducted annually by the Steering Committee. However, since the management evaluation for the year ended December 31, 2022 was confirmed in 2023, performance bonuses for 2022 were not recognized as expense in 2022. Salaries and wages expenses for the year ended December 31, 2023 include Performance bonuses for both 2022 and 2023.

17. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2023 and 2022 are as follows:

(KRW thousand)

	2023	2022
Salaries and wages	₩ 50,850,681	26,549,656
Accrual for retirement and severance benefits	8,992,372	(901,301)
Other employee benefits	6,447,151	6,468,639
Taxes and dues	491,323	532,536
Rental expenses	7,339,624	4,914,850
Depreciation	1,372,516	1,362,153
Amortization	2,609,229	2,589,655
	₩ 78,102,896	41,516,188

18. Date of Authorization for Issue

The Corporation's financial statements are authorized for issue on March 18, 2024, at the Board of Directors meeting. These financial statements are scheduled to be submitted for approval to the Steering Committee on March 21, 2024.



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