

2022 ESG INVESTING REPORT

About this Report

We are pleased to present the 2022 ESG Investing Report, our second publication since the inaugural release in 2021. This report reviews the sustainable management activities and ESG investment performance of NH-Amundi Asset Management and aims to facilitate ongoing communication with stakeholders.

Reporting period

The reporting period covers the significant management activities and achievements from January 1, 2022, to December 31, 2022. Additionally, for quantitative performance, data from the past three years (January 2020 to December 2022) were utilized to illustrate the year-on-year trends.

Distribution of the report and solicitation of feedback

Please note that this report is not NH-Amundi's official sustainability report and therefore has not undergone third-party verification. We strive to provide accurate and transparent ESG-related data; however, forecasts and plans may be subject to change due to various factors and market fluctuations. For any inquiries or feedback regarding the report, please contact the following:

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Reference

TCFD Recommendations ('17.6) "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures"

NHFG 21/22 Sustainable Management Report

Contents

1. Introduction 03

1-1. CEO and Deputy CEO Message	04
1-2. Introduction to NH-Amundi	06
1-3. ESG Timeline	07

2. ESG Management 08

2-1. 2022 ESG Highlight	09
2-2. ESG Management Strategy	10
2-3. ESG Objectives and Achievements	14
2-4. TCFD	16

3. ESG Investment 23

3-1. ESG Investment Philosophy	24
3-2. ESG Investment Process	25
3-3. Stewardship Activities	28
3-4. ESG Investment Products	31

Appendix - Major Awards 34

1. Introduction

NH-Amundi
자산운용

1-1. CEO and Deputy CEO Message

1-2. Introduction to NH-Amundi

1-3. ESG Timeline

1-1.CEO and Deputy CEO Message



CEO MESSAGE

Dear valued customers and stakeholders,

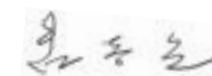
We extend our heartfelt gratitude to all of you for your unwavering interest and support over the past year. Despite the challenging economic conditions brought about by the continued impact of the COVID-19 pandemic and the outbreak of the Russo-Ukrainian war, NH-Amundi Asset Management has achieved remarkable growth, surpassing KRW 50 trillion in assets under management and rising to the 6th position in the industry. Concurrently, we have remained committed to establishing a foundation for ESG management and enhancing our ESG management system throughout 2022. We are delighted to present our second ESG report, which encapsulates the outcomes of these efforts and outlines our future vision. We will continue to respond to the trust placed in us by our customers through transparent information disclosure and strive to activate ESG investments.

Last year, NH-Amundi completed its ESG investment product lineup across all asset classes and focused on delivering differentiated offerings. In March, we launched Good Earth OCIO Asset Allocation Fund, the industry's first global asset allocation fund for defined benefit pension funds to incorporate ESG strategies. Moreover, we proactively addressed the diverse ESG investment demands of our customers through the enhancement of our ESG investment process. Our notable achievement came with the certification of our flagship ESG fund, Green Korea Fund, as the first ESG-certified public offering fund in South Korea by FnGuide. This served as an excellent opportunity to demonstrate the excellence of NH-Amundi's ESG investment process. As a result of our continuous efforts, the scale of ESG investments reached KRW 3.3 trillion in 2022, an 18% increase compared to the previous year, and continues to grow. Moving forward, we will take the lead in establishing sustainable investment processes and addressing ESG investment regulatory issues such as greenwashing.

Natural disasters and abnormal weather patterns, such as the large-scale floods that occurred in South Korea last summer, are being witnessed worldwide. In response, NH-Amundi Asset Management regards climate change as a core component of our ESG management. Starting with the TCFD Supporter Declaration in May, we have formulated medium- to long-term strategies for carbon neutrality and are planning a journey to measure our own carbon emissions and implement Net-Zero practices.

ESG is no longer a choice but a necessity. NH-Amundi Asset Management is steadfastly advancing towards our ESG goals, which prioritize sustainable investments and fulfilling our environmental and social roles and responsibilities. As NH-Amundi celebrates its 20th anniversary this year, we aim to solidify our position as a leading ESG asset manager and encourage your continued interest and support in our comprehensive implementation of ESG management.

Thank you.



CEO **Dongsoon Lim**

NH-Amundi Asset Management



DEPUTY CEO MESSAGE

Dear valued customers and stakeholders,

I hope this message finds you well. As Deputy CEO of NH-Amundi Asset Management, I would like to take this opportunity to express my sincere gratitude to all of our customers and stakeholders for your continued support over the past year.

ESG is at the heart of our values, and we believe that sustainable investing is the way forward to build a better future for ourselves and our clients.

As NH-Amundi Asset Management marks our 20th anniversary this year we are proud to have long standing and strong support from our JV partner, Amundi Asset Management, and will continue to work closely with them to ensure that we are aligned with their leading global ESG standards.

To further demonstrate our dedication to improving our business practices and remaining true to our ambition of becoming a leader in ESG asset management in Korea, we will be setting up ESG voluntary targets in our business plan. Additionally, we will be progressing towards the integration of ESG scoring for investments in all asset classes, including alternative investments. We will also work towards integrating these scores into all investment funds whenever possible, and mandates subject to client requirements. This will also anticipate the future ESG regulations for fund management in Korea.

We believe that this approach will not only help us to better manage risks and create long-term value for our clients but will also enable us to contribute to the wider goal of promoting sustainable and responsible investment practices.

I encourage all of you to embrace our ESG principles and incorporate them into your daily work. Together, we can create a more sustainable future for our clients and society as a whole. Thank you once again for all your trust and support.

Sincerely,



Deputy CEO **Nicolas Simon**
NH-Amundi Asset Management

1-2. Introduction to NH-Amundi

NH-Amundi Asset Management, hereinafter referred to as “NH-Amundi,” was established in 2003 through the strong collaboration between the trusted ‘NongHyup’ brand and the globally renowned asset management firm ‘Amundi.’ The company is structured with NongHyup Financial Group (NHFG) owning a 60% stake and Amundi Asset Management owning a 40% stake. With the active support of both shareholders, NH-Amundi has grown to become a comprehensive asset management firm ranked 6th in the industry, with assets under management of approximately KRW 50 trillion.

In 2022, NH-Amundi successfully overcame the challenging financial market environment through a harmonious blend of new businesses including alternative investments and traditional assets. Despite the sharp rise in interest rates, NH-Amundi achieved excellent investment performance in the fixed income sector, outperforming the benchmark. Additionally, the company generated significant profits through successful deals in the alternative investment sector. These efforts formed the basis for our sustained growth trajectory.

In 2023, NH-Amundi aims to leap into a first-class asset management firm, maximizing investment performance and building customer trust. Our goals for the year include: 1. Enhancing fund performance, 2. Supplying market-leading flagship products, 3. Strengthening digital marketing capabilities, and 4. Collaborating with shareholders. Particularly, as we celebrate the 20th anniversary of our founding, we will focus on enhancing our brand value and providing market-leading flagship products. Leveraging our extensive expertise, all our employees are committed to delivering the best services and investment performance to our investors, fulfilling our unique social responsibility as an asset manager.

A comprehensive asset manager



NH-Amundi provides a wide range of investment products and total solutions, including equity, fixed income, overseas investments, infrastructure investments, and ETFs. These offerings are available to NHFG affiliates, domestic corporations, and retail customers.

AUM



KRW 50.4 tn

Market ranking
(based on AUM)

No. 6

Management philosophy and vision

Vision

Your trusted and responsible global investment partner

Slogan

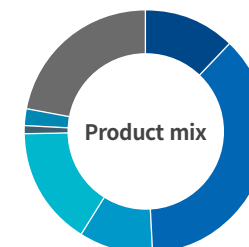
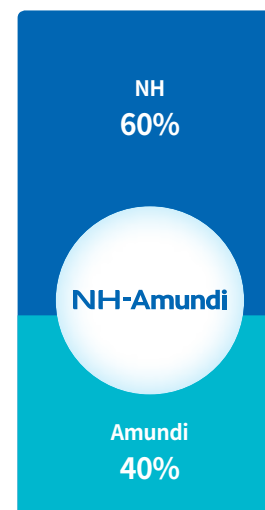
The slogan expresses the will to provide returns and financial services achieving customers' satisfaction and exceeding customers' expectation

An asset manager
respectful to clients
and trusted by clients

NH-Amundi

ESG First!

Introduction to shareholders



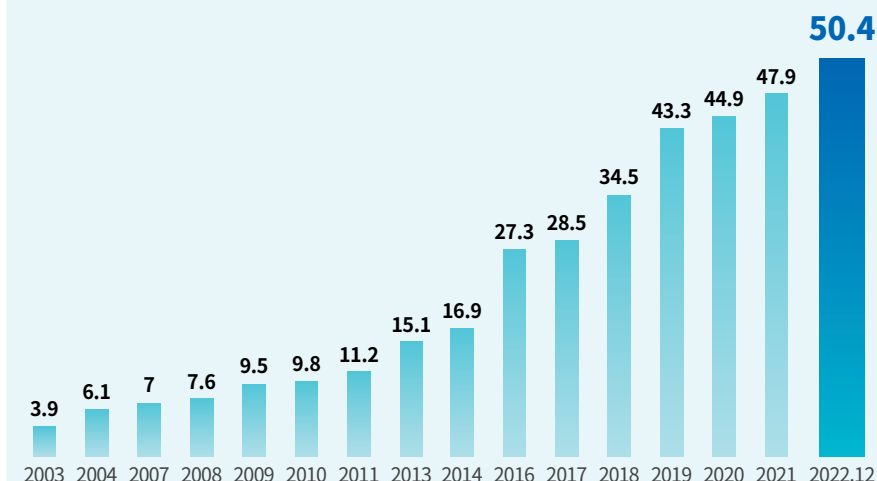
Product	AUM (in trillions of KRW)	Share (%)
Domestic equity	6.2	12.3
Domestic fixed income	18.6	36.9
Overseas investment	4.9	9.7
Alternative investment	8	15.8
Balanced fund/FoF	0.6	1.1
Derivative	1.1	2.2
MMF	11	21.9
Total	50.4	100

Client	AUM (in trillions of KRW)	Share (%)
NHFG affiliates	17.7	35.8
External institutional investors	27.3	48.5
Retail investors	5.4	15.7

As of December 31, 2022
AUM: Based on total size of investment mandates, private placement funds, and public offering funds

AUM

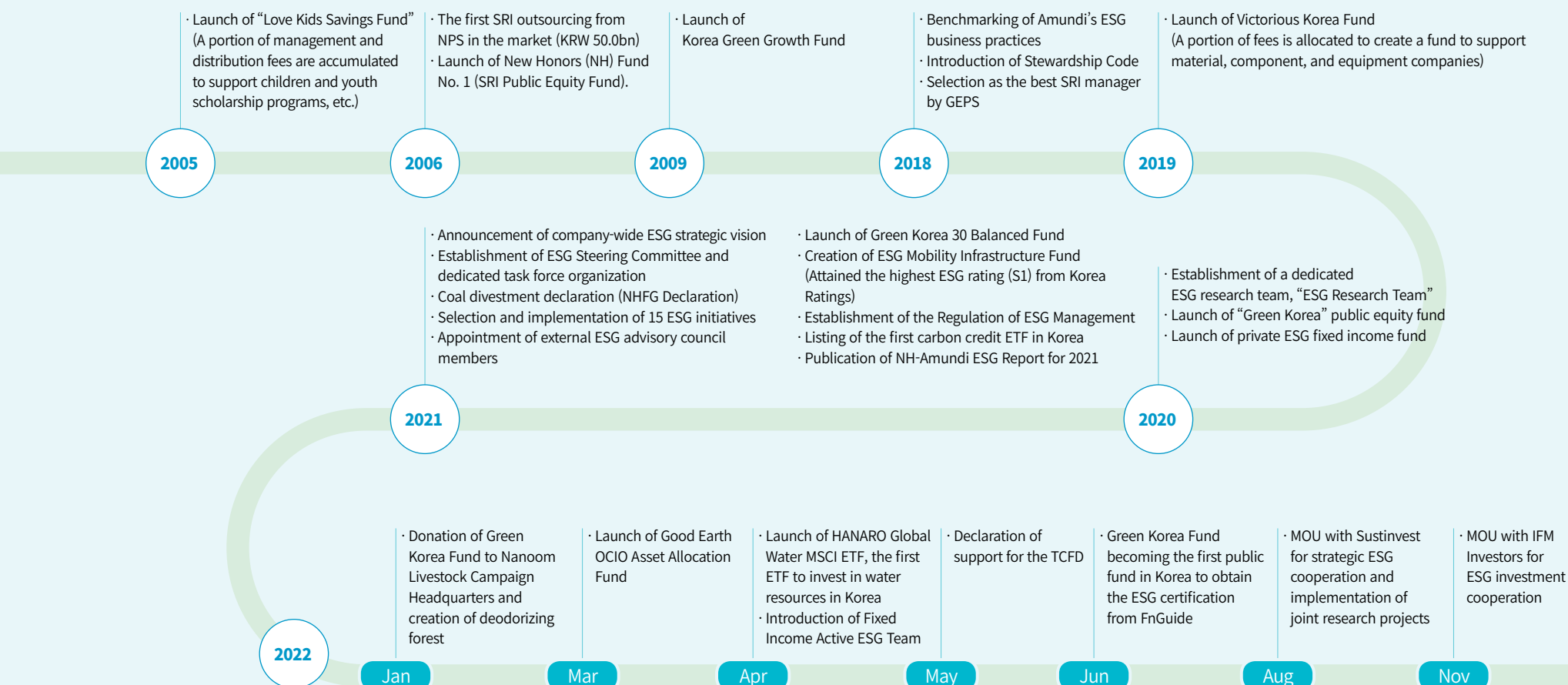
(In trillions of KRW)



Source: NH-Amundi Asset Management

1-3.ESG Timeline

NH-Amundi, at the forefront of ESG investment since the inception of corporate social responsibility in Korea, has grown to become one of the largest ESG asset managers in the industry, providing comprehensive sustainable investment solutions, including equity, fixed income, and alternative investments and ETFs. Join us on our journey to contribute to the successful asset management of our clients and stakeholders through our focus on ESG investment and to become a trusted investment partner.



2. ESG Management

2-1. 2022 ESG Highlight

2-2. ESG Management Strategy

2-3. ESG Objectives and Achievements

2-4. TCFD

2-1.2022 ESG Highlight



2022 ESG Snapshot

Donation ('22.01.)



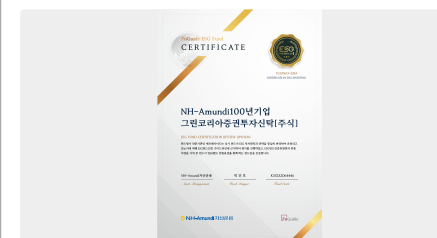
Voluntary work at a local farm ('22.05.)



MOU with Sustainvest ('22.05.)



ESG certification of Green Korea Fund from FnGuide for the first time in Korea ('22.06.)



Donation ('22.06.)



Distribution of eco-friendly goods ('22.08.)



Voluntary work at a local farm ('22.09.)



Financial consumer training ('22.12.)



2-2. ESG Management Strategy

Based on NongHyup Group's ESG vision and Amundi's ESG responsible investment plan, NH-Amundi established an ESG strategic framework and declared the "ESG First" vision in March 2021. "ESG First" means that NH-Amundi Asset Management prioritizes ESG factors in all decision-making processes and aims to solidify its position as a leading domestic ESG asset manager. To fulfill the goal of being a leading ESG asset manager that stays true to its roles and responsibilities for the environment and society, NH-Amundi formulates and executes strategies for each category. Moving forward, we will integrate the ESG vision of the NHFG and Amundi with our own management philosophy to establish a consistent, company-wide ESG strategy and direction.

ESG strategy system

NHFG/Amundi
ESG vision

NongHyup Financial Group

NHFG ESG Transformation 2025

Amundi
ASSET MANAGEMENT

Mainstreaming ESG-Investing/Fostering Innovation/Championing ESG
(3-year SRI action plan of Amundi)

NH-Amundi
management vision

NH-Amundi Asset Management

NH-Amundi Asset Management Your Trusted and Responsible Global Investment Partner

NH-Amundi ESG vision

ESG First !

Prioritizing ESG factors in all decision-making processes

Aiming to solidify its position as a leading domestic ESG asset manager

ESG objective

A leading ESG asset manager fulfilling its environmental and social roles and responsibilities

ESG strategy

E

Promoting the activation of eco-friendly green finance

- Development and expansion of green financial products and investments.
- Active response to climate change and carbon neutrality issues.
- Internalization of eco-friendly management practices.

S

Enhancing social value for stakeholders

- Expanding the scale of SRI and maintaining excellence in performance.
- Increasing protection and rights of employees and financial consumers.
- Expanding social contributions and community support, including rural and local communities.

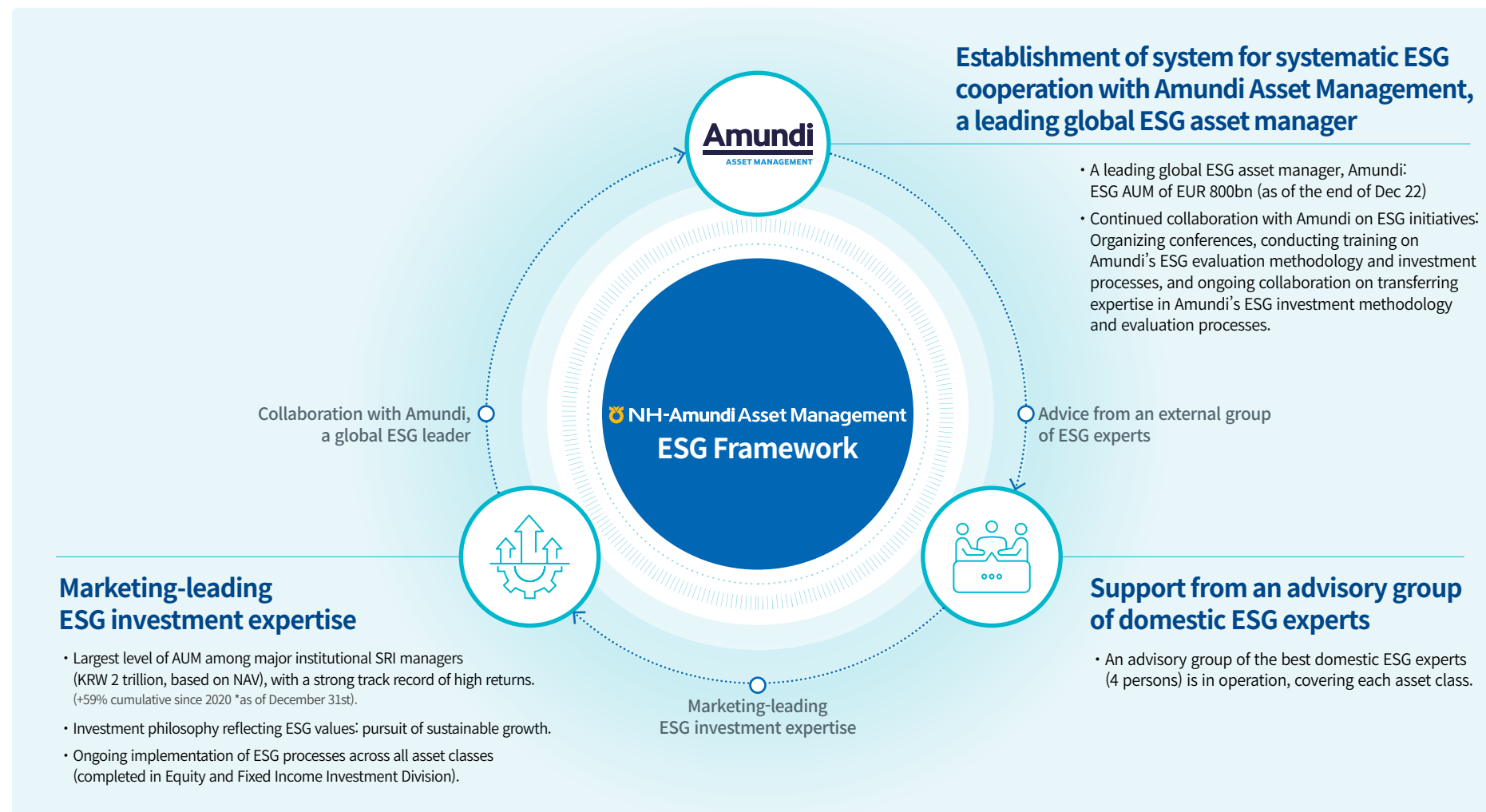
G

Advancing sustainable management system

- Strengthening ESG strategy and management system.
- Enhancing ESG investment processes that reflect the characteristics of each asset class.
- Expanding internal and external communication with ESG stakeholders.

ESG management system

Based on our long-standing expertise and leadership in ESG investing and strengthened collaboration with Amundi, a global leader in ESG, we have established differentiated investment strategies and implemented an ESG framework by forming advisory systems for each asset class, leveraging external ESG experts.



Cooperation with Amundi



Since its inception, Amundi has placed responsible investment (responsibility towards society and the environment) at the core of its strategy. Environmental, social, and governance (ESG) criteria are integral to Amundi's investment process, with a particular emphasis on addressing climate change and social inequality. NH-Amundi has established a strong collaborative relationship with Amundi to implement advanced ESG investment strategies aligned with global standards.

Introduction to Amundi

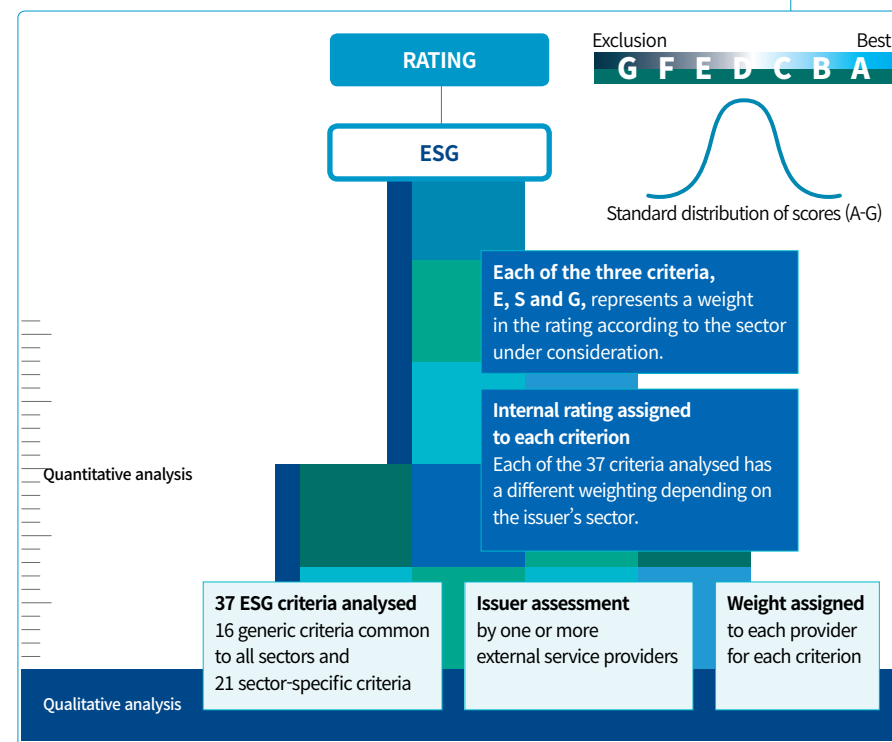


Source: Amundi Asset Management, Corporate Brochure (December 2022), Ranking: Based on the size of AUM

Status of SRI in Amundi

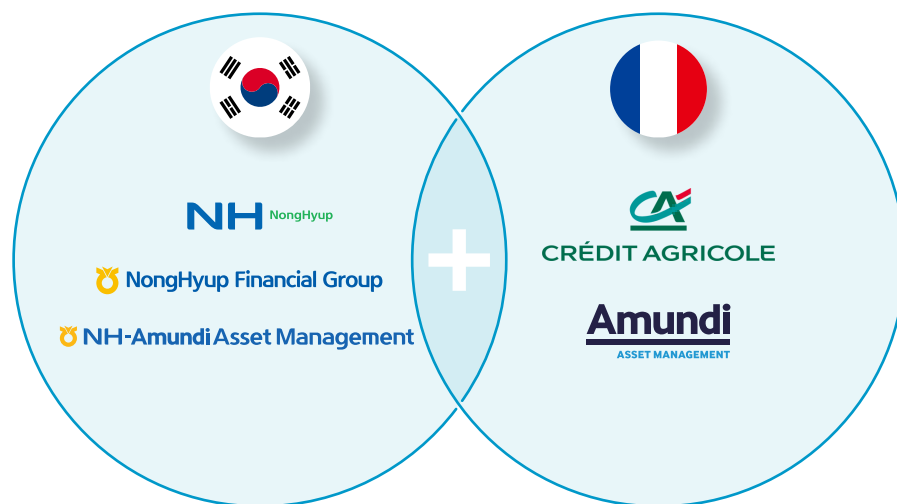


Proprietary ESG analysis methodology



ESG cooperation with Amundi

Based on collaboration between the NACF and the NHFG and Credit Agricole Group of France, NH-Amundi Asset Management has maintained systematic cooperation with Amundi in various areas related to each asset class and business operation, while continuously enhancing its collaboration on ESG initiatives as well.



ESG benchmarking trip of NH-Amundi professionals in Dec 22

- Training in Amundi HQ and meeting with ESG data providers
- Training details:
 - Enhancement of ESG analysis methodology
 - Establishment of ESG research cooperation system
 - Understanding of ESG thematic data



Cooperation between the NACF and CA

- The NACF and Credit Agricole signed an MOU on business cooperation on November 2, 2021.
 - Exploring collaboration opportunities in green and sustainable financial products and other ESG-related initiatives.

Cooperation for ESG management

- Discussion between NH-Amundi and Amundi ESG teams about establishment of the ESG collaboration framework
 - Establishment of detailed cooperation plans for each area, including ESG investment process, product development, and management system.
- Provision of ESG advisory support from Amundi's ESG team expert to NH-Amundi
 - Participation in the ESG Steering Committee, provision of advice to important matters, and ESG-related lecture to the executives and employees
- Sharing of the global market trend and Amundi's current status, provision of training sessions, etc.
 - Participation in Amundi ESG Investment Day Forum, ESG Training Day, etc. and acquisition of knowledge about investment process, evaluation methodology, etc.

Detailed business cooperation for each asset class

- Ongoing collaboration and discussion with Amundi on sharing Amundi product status and exploring opportunities for ESG product development.
 - Continued discussions with the head of Amundi's ESG development and advocacy team regarding ESG fixed income business.
 - Sharing of ESG scores within Amundi Fund Buylist.
 - Sharing of Amundi ESG ratings for individual securities, funds, portfolios, and indices within Amundi ALTO+ system.
 - Conducting joint investment reviews for renewable portfolio assets, exploring possibilities for expanding joint investments in ESG-related assets.
- In the overseas real estate sector, reviewing and considering quality investment opportunities provided by Amundi in France, with a focus on sustainable assets that have obtained LEED* and BREEAM** certifications for core and core-plus office spaces in Europe from 2022 until now.

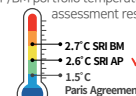


* LEED: A widely recognized and credible green building certification system developed by the U.S. Green Building Council (USGBC).

** BREEAM: Building Research Establishment's Environmental Assessment Method, a system for certification of sustainable buildings that has been widely used in the UK and Europe since its development in 1990.

2-3. ESG Objectives and Achievements

To create a better tomorrow until carbon neutrality is achieved, NH-Amundi strives to establish and achieve goals based on ESG strategies for each category.

Major achievements in 2022

Objective	Strategy	Achievement	Detailed cases
E Promoting the activation of eco-friendly green finance	Development and expansion of green financial products and investments	<ul style="list-style-type: none"> Establishment of environmentally friendly funds (first-ever launch of Global Water ETF and Global Renewable Energy ETF) 	<ul style="list-style-type: none"> 2021: Incorporating climate change measures into the Regulation of ESG Management in response to climate change 2022: Promoting the establishment of a climate change response system based on ESG implementation strategies and declaring support for the TCFD 2022: Continuously measuring and managing internal carbon emissions (refer to page 21). Developed the first domestic climate change temperature gauge for stock portfolios. <div> <p>Result The ESG AP temperature is 2.6°C, which is 0.1°C lower than the BM temperature of 2.7°C. This indicates that the ESG AP has a better climate change response.</p> <p>Methodology Based on the carbon emissions data of each company, the "carbon budget excess" is measured. This involves calculating the difference between the 1) projected emissions of the company over the next 50 years and 2) the allocated carbon budget for each company. As the number of companies exceeding their carbon budget increases, the portfolio's temperature rises.</p> <p>Data MSCI, Bloomberg, IEA, Greenhouse Gas Inventory and Research Center, Statistics Korea.</p> <p>Purpose The portfolio is measured and managed for its alignment with climate change/carbon neutrality goals. The lower the temperature, the more the portfolio aligns with the climate change/carbon neutrality objectives.</p> </div> 
	Active response to climate change and carbon neutrality issues	<ul style="list-style-type: none"> Declaration of support to TCFD in May 2022 and formulation of implementation strategy Measurement of internal carbon emissions (completed for the periods of 2020-2021 and first half of 2022). Responses towards carbon neutrality of the equity portfolio. 	
	Internalization of eco-friendly management practices	<ul style="list-style-type: none"> Implementation of eco-friendly vehicle transition (2023 plan: 2 vehicles completed). "Let's Make an Effort" campaign (Donation of KRW 10m to UNICEF Korea Committee for water and sanitation projects and distribution of upcycled water bottles for internal promotion of circular economy). 	
S Enhancing social value for stakeholders	Expanding the scale of SRI and maintaining excellence in performance.	<ul style="list-style-type: none"> Launch of Good Earth OCIO Asset Allocation Fund. Establishment of 3 new investment mandates with a total size of KRW 87.9bn. Focus on portfolio excellence and performance management. 	<ul style="list-style-type: none"> Enhancement of SRI performance management *Strengthening the management of key ESG indicators in the equity portfolio
	Increasing protection and rights of employees and financial consumers	<ul style="list-style-type: none"> Annual online financial consumer protection education conducted for all employees (across all the NHFG affiliates). Semi-annual meetings of the internal control committee for financial consumer protection. Completion of the revision of 22 guidelines in 2022, including the Customer Complaint Handling Guideline (May) and the Investment Promotion Guideline (September). 	
	Expanding social contributions and community support, including rural and local communities	<ul style="list-style-type: none"> Social contribution activities in 2022 <ul style="list-style-type: none"> Rural volunteering activities Internal volunteering activities Volunteering activities in collaboration with NH Group affiliates 	
G Advancing sustainable management system	Strengthening ESG strategy and management system	<ul style="list-style-type: none"> Evaluation of overall ESG performance and completion of KPI assessment for 2022. Regular meetings of the ESG Steering Committee and the ESG Task Force Team. Submission of ESG matters to the Board of Directors for its deliberation. 	<ul style="list-style-type: none"> ESG Steering Committee (22-12-26) 
	Enhancing ESG investment processes that reflect the characteristics of each asset class	<ul style="list-style-type: none"> Ongoing enhancement of equity and fixed income investment processes. Establishing ESG processes for global and alternative investments. 	
	Expanding internal and external communication with ESG stakeholders	<ul style="list-style-type: none"> Agreement with external organization: MOU with Sustinvest ESG seminars: Conducted seminars targeting senior management and employees, contributing to customer promotion and awareness 	
			<ul style="list-style-type: none"> External Director's Workshop (22-11-04) Transitioning to Carbon Neutrality and Transforming of the Capital Market 

	2021	2022	2023	2024
Vehicles for conversion (Vehicles in operation: 10)	1	1	2	6
Conversion ratio	10%	20%	40%	100%

Social contribution – Donation from funds

In total, there are seven funds that support public-interest activities by accumulating funds from management fees, which is NH-Amundi's distinctive social contribution policy. Since its establishment, the funds and donations executed for public-interest funds amount to a total of KRW 5,960,631,400. Here, we introduce notable examples of social contribution cases and recent records of fund contributions.

List of funds supporting public-interest activities

Green Korea Fund	Agriculture Love High Dividend 30 Fund	Agriculture Love High Dividend 50 Fund
Love Kids Savings Fund	Long-Term Growth Flagship Companies Fund	Victorious Korea Fund
		Victorious Korea 30 Fund

Highlight from fund contributions between 2021 and 2022

Support to the material, component, and equipment sector based on contributions from Victorious Korea Fund

In December 2021, a scholarship fund of KRW 1.2 billion, formed from a part the management fees of Victorious Korea Fund, was distributed to 12 universities selected by the Ministry of Transport, Industry, and Energy related to material, component, and equipment technology. The scholarship fund was established by setting aside 50% of the management fees from Victorious Korea Fund and will be used to strengthen the capabilities of "technology strategy advisory" universities, including the development of specialized human resources in the material, component, and equipment sector.



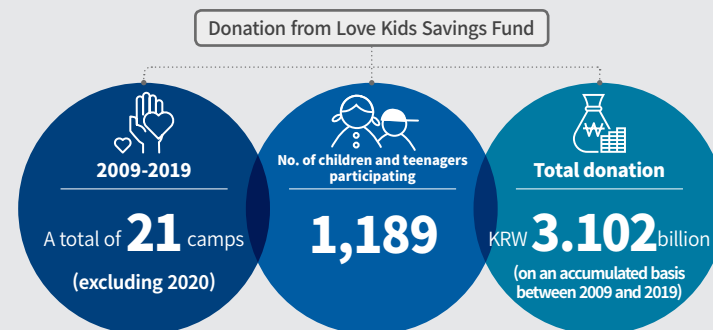
Scholarship donation from Victorious Korea Fund

Contribution from Green Korea Fund

In January 2022, KRW 100 million accumulated from Green Korea Fund was donated jointly by the NHFG and NH-Amundi Asset Management to Nanoom Livestock Campaign Headquarters. The fund aims to achieve carbon neutrality in the agricultural and livestock sector through the "Livestock Environment Improvement Project." The donated funds were utilized for planting of 36,000 trees to create deodorizing forests in 436 livestock farms nationwide, as well as for promoting sustainable livestock infrastructure and implementing ESG management practices across NongHyup Group.



Case study: Love Kids Savings Fund



Love Kids Savings Fund is a fund with long history that was launched in 2005 and is NH-Amundi's flagship social contribution fund. It sets aside a portion of the fees to be utilized for initiatives such as children's scholarships. The fund aims for a long-term sustainable management of assets, so that the investment could offer a financial support required throughout their lifecycle, even after they become adults. The fund mainly invests in large-cap, high-quality stocks with strong profitability, growth potential, and stability, suitable for long-term investments. As part of its children's scholarship program, NH-Amundi provides economic education programs to children and teenager investors selected through a lottery system. The long-standing "Start! Love Kids Dream Camp" is a representative case where Korean teenagers visit the world's financial and cultural centers to broaden their horizons and naturally cultivate a global mindset. NH-Amundi Asset Management and NongHyup Bank co-host this overseas history and cultural exploration program. It began with a trip to Tokyo, Japan, in 2008 and has been held twice a year since 2012. In 2010, prestigious universities in the United States were visited, and starting from 2012, cultural and historical explorations have taken place in Beijing, China. Through these programs, over 1,200 students have had the opportunity to experience global history, culture, and economics. Although social contribution activities, including donation delivery, were interrupted due to the COVID-19 pandemic in 2020, NH-Amundi will continue to make efforts in the future to engage in social contribution activities, on-line camps, etc. for children and adolescents to provide financial education and fulfill its social responsibilities.



Other activities

Two Seoul exploration programs organized for children from rural areas between 2018 and 2019: the programs lasted for one night and two days, including cultural experience like a museum visit.

Donation of KRW 100 million to NH Cultural Foundation to support vulnerable groups, including rural youth, in 2020.

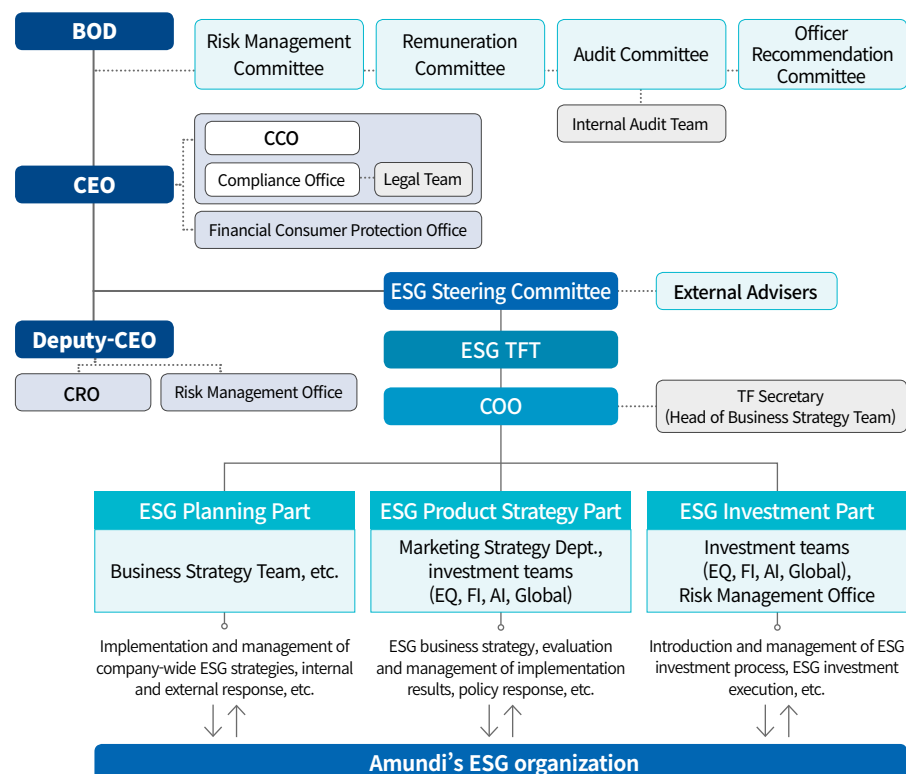
2-4.TCFD



NH-Amundi Asset Management has identified climate change response as a core component of their ESG strategy in order to fulfill their environmental and social responsibilities. The Task Force on Climate-related Financial Disclosures (TCFD) was established by the G20's Financial Stability Board in 2015. It is an initiative that promotes the disclosure of climate-related financial information and issues recommendations. Starting with the declaration of support for the TCFD, NH-Amundi aims to gradually establish and implement a climate change response framework and to transparently disclose climate-related risks and enhance communication with stakeholders.

Governance

Climate-related governance



NH-Amundi aims to respond to ESG management and climate change based on transparent decision-making processes, rigorous internal control systems, and systematic implementation systems. In March 2021, the ESG Steering Committee and the ESG Task Force Team were established to ensure the efficiency and consistency of ESG strategy formulation and execution and to build a company-wide collaborative system. Additionally, an ESG implementation system based on input from the two shareholders, the NHFG and Amundi Asset Management, and the external advisors was introduced to create synergies with the affiliates and to secure expertise for each asset class. The ESG Steering Committee, led by the Chairman (CEO) and composed of key executives, is responsible for major decision-making related to ESG and climate change response and conducts agenda discussions and deliberations. The ESG Task Force Team, under the supervision of the COO, is structured in an agile organization form consisting of ESG Planning, ESG Product Strategy, and ESG Investment Part. The specialized personnel from relevant departments and Business Strategy Team, which serves as the core organization for company-wide ESG management implementation, collaborate on a regular basis. The ESG TFT working-group meetings are regularly held to discuss ESG action items, business execution, and ESG investment processes and utilize real-time communication channels to monitor the latest trends and research on ESG. Furthermore, based on the ESG implementation system, regular reports on ESG operations are provided to the Board of Directors for decision-making. The Board members oversee and evaluate issues related to ESG and climate change and discuss risks and opportunities. Efforts are made to internalize ESG into the company's management strategy and ensure expertise and transparency in agenda items. Regular ESG education sessions have been conducted for External Directors and top management. The content of these sessions includes the following:

Approval

(November 2021) Establishment of the Regulation of ESG Management.

Reporting

(2022) Reporting on ESG achievement and 2023 action plan.

Reporting

(September 2021) Reporting on ESG progress and H2 action plan.

Education

(November 2022) ESG education (ESG 2.0: Transitioning to Carbon Neutrality and Transforming of the Capital Market).

Education

(September 2021) Enhancing overall understanding of ESG (ESG Open Seminar: Climate Finance and Sustainable Finance, the Driving Forces in the ESG Era).

Status of the Board of Directors

NH-Amundi adheres to its “Internal Regulation on Corporate Governance” by appointing Directors with diverse expertise and knowledge in various fields to ensure professionalism and diversity. As of January 2023, the Board of Directors consists of two Internal Directors (including one of French nationality), four External Directors (including one female Director), and one Non-Standing Director, totaling seven members. NH-Amundi will continue to strive to expand diversity in terms of nationality and gender and make efforts to appoint Directors with expertise in respective fields.

Classification	Name (Gender)	Date of birth	Professional experience	Term	Affiliation with the Board subcommittee(s)
External Director	Yeongseock Shin (M)	57. 11	<ul style="list-style-type: none"> · Professor at Sungkyunkwan University Graduate School of Business · Vice President at KB Investment & Securities · Head of Overseas Sales at Samsung Futures · Director of International Business Division at Samsung Securities 	'20.05.25~'24.05.24 (2nd term)	<ul style="list-style-type: none"> · Risk Management Committee · Audit Committee · Remuneration Committee
External Director	Hyemin Lee (M)	57. 03	<ul style="list-style-type: none"> · Advisor at Kim & Chang · Visiting Professor at Hankuk University of Foreign Studies, International Studies Department · Special Adviser at the Institute for International Economic Policy · Ambassador to France · Ambassador to the Philippines · Chief Negotiator for Free Trade Agreements 	'18.06.20~'24.06.19 (3rd term)	<ul style="list-style-type: none"> · Remuneration Committee · Officer Recommendation Committee · Risk Management Committee
External Director	Kyojik Song (M)	68. 05	<ul style="list-style-type: none"> · Professor at Sungkyunkwan University Graduate School of Business · Co-CEO at April Consulting · External Evaluator for Financial Investment Business Licensing at the Financial Supervisory Service · Vice President of the Korea-US Finance Society 	'22.01.01~'23.12.31	<ul style="list-style-type: none"> · Officer Recommendation Committee · Audit Committee · Remuneration Committee
External Director	Seunghye Ju (F) Chairman of the Board (★)	71. 03	<ul style="list-style-type: none"> · Professor of Law at the College of Global Convergence, Duksung Women's University · Attorney at Law in the United States · Member of the Sanctions Review Committee at the Financial Supervisory Service 	'21.06.20~'23.06.19	<ul style="list-style-type: none"> · Audit Committee · Officer Recommendation Committee · Risk Management Committee
Non-standing Director	Woonbong Jang (M)	59. 08	<ul style="list-style-type: none"> · Head of Geumseong Agricultural Cooperatives in Jecheon-si, Chungbuk-do 	'22.01.01~'23.12.31	<ul style="list-style-type: none"> · Officer Recommendation Committee
Internal Director	Dongsoon Lim (M)	64. 12	<ul style="list-style-type: none"> · Head of Business Planning Division (Vice Chairman) at NongHyup Bank · Head of HR, Support/Trust Division (Vice Chairman) at NongHyup Bank · Head of Incheon Regional Headquarters of the NACF · Head of Personnel Department at NongHyup Bank · Head of Cheongwadae Branch at NongHyup Bank 	'23.01.01~'24.12.31	-
Internal Director	Nicolas Simon (M)	64. 08	<ul style="list-style-type: none"> · Amundi Country Officer for India · Deputy CEO of SBI Asset Management · CEO of Amundi Real Estate 	'20.07.13~'24.07.12 (2nd term)	<ul style="list-style-type: none"> · Officer Recommendation Committee

Board skills matrix

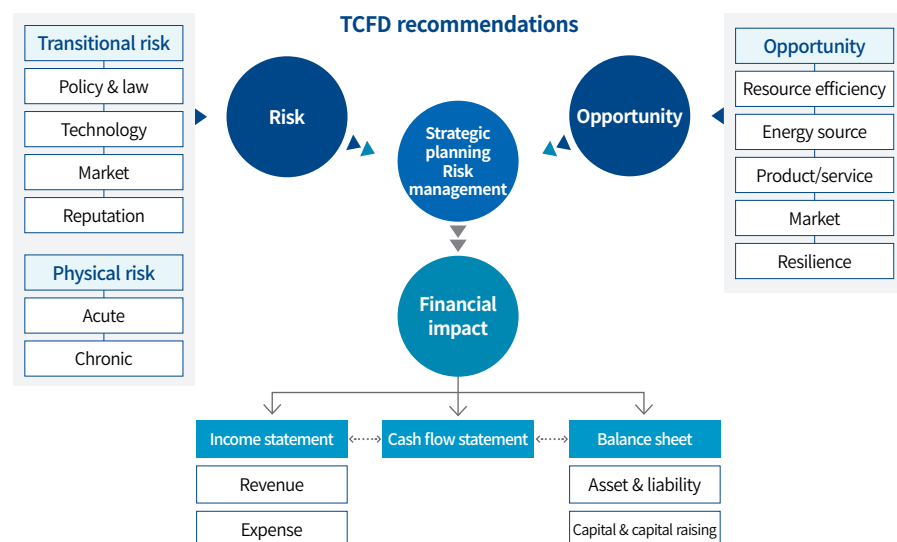
as of the end of January 2023

Board expertise	Finance	Business management	Economy	Legal	Finance & accounting	Consumer protection	IT	ESG
Yeongseock Shin	●				●			
Hyemin Lee			●					
Kyojik Song		●			●			
Seunghee Ju				●				
Woonbong Jang		●						
Dongsoon Lim	●	●						
Nicolas Simon	●	●						

Please refer to the 2022 Corporate Governance and Compensation System Annual Report for more detailed information. (<https://www.nh-amundi.com/>)

Strategy

NH-Amundi is an investment company that aims to manage customers' assets sustainably and securely as a steward of profitability and risk. In this regard, climate change is recognized as both a significant risk that impacts the achievement of our objectives and an opportunity factor for investments. Firstly, we have identified climate change-related risks in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



Source: TCFD recommendations

Climate risk

Climate risk is categorized into physical risks associated with weather variations and transitional risks arising from the transition to a low-carbon economy. These risks can potentially impact the financial and non-financial circumstances of a company.

Transitional risk

Transitional risk refers to the risks that can arise during the process of transitioning to a low-carbon economic structure. These risks have the potential to transition into financial risks.

Type	Impact	Potential impact on finance	NH-Amundi response
Market risk	Mid- to long-term	<ul style="list-style-type: none"> • (Company) Potential decrease in Assets Under Management (AUM) and earnings due to reduced demand for investment products offered by the company and investor fund withdrawals. • (Portfolio) Investment in high-carbon emitting industries such as steel, cement, and coal power generation or companies with higher physical risk exposure may generate future financial losses due to the depreciation of their valuation and increased investment volatility. 	<ul style="list-style-type: none"> - Strengthening of eco-friendly products and services. - Enhancing eco-friendly management to secure trust from customers and investors. - Diversification of ESG asset portfolios.
Reputational risk	Short-term	<ul style="list-style-type: none"> • Potential decrease in brand value and revenue due to decreased demand for products and services if NH-Amundi's efforts to address climate change are deemed insufficient by stakeholders including clients and investors. • Reputational decline and revenue decrease resulting from decreased demand in the event of greenwashing issues. 	<ul style="list-style-type: none"> - Expansion of external communication about ecofriendly topics. - Disclosure of climate change response status through sustainability reports and other means.
Policy risk	Mid- to long-term	<ul style="list-style-type: none"> • Increased operating costs and compliance expenses due to the establishment of new environmental disclosure standards and strengthened obligations and the introduction of new regulations. • Potential devaluation of existing investment assets and products due to changes in policies, resulting in early obsolescence of current assets. Costs associated with hiring specialized personnel to manage and cope with risks and uncertainties. 	<ul style="list-style-type: none"> - Declaration of divestment from coal financing. - Support for ESG management activities of investment target companies through stewardship activities.
Legal risk	Mid- to long-term	<ul style="list-style-type: none"> • Environmental-related lawsuits arising from environmental issues or non-compliance. • Legal actions from customers and investors due to allegations of greenwashing. 	-
Operational risk	Mid- to long-term	<ul style="list-style-type: none"> • Disruption to business continuity due to physical damages caused by climate change, negatively impacting company infrastructure, systems, processes, and employees. • Potential claims for damages and costs associated with loss recovery due to operational risks and loss risks. 	-
Liquidity risk	Mid- to long-term	<ul style="list-style-type: none"> • Climate change-related natural disasters and other events can cause extensive damage or incur significant costs to the company's physical assets, potentially leading to deteriorating liquidity. • The financial soundness can be affected by investors withdrawing fund capital due to physical risks, resulting in deteriorating liquidity. 	-

Physical risk

Physical risks are recognized as the economic costs and financial losses arising from abnormal climate events and long-term climate pattern changes. They are classified into acute and chronic risks based on the duration of their impact.

Type [Impact]	Definition	Potential impact on finance	NH-Amundi response
Acute physical risk [Short-term/ mid-term]	Acute risks including: - Floodings - Heatwaves - Typhoons - Wildfires	<ul style="list-style-type: none"> (Company) Potential losses due to increasing climate-related risk factors and occurrence of natural disasters (such as increased operating costs, damage to tangible assets, compensation and recovery costs, business interruption, facility damages, and damage to computer networks). (Company) Potential decrease in revenue and increase in costs due to negative impacts on personnel (such as employee health, safety, and absenteeism). (Portfolio) Potential increase in operational and capital costs, driven by the rising climate-related risk factors, including the possibility of investment asset damages and early disposal of existing assets (inurrence of economic costs and losses in tangible assets such as real estate and investment assets). 	<ul style="list-style-type: none"> - Current: Establishment of business continuity plans, conducting mock drills, and emergency evacuation training. - Current: Coverage of comprehensive machinery insurance (CMI) and commercial general liability insurance (CGL) to mitigate risks related to natural disasters for renewable energy power plants (solar, wind). - Mid- to long-term plan: Identifying potential financial impacts based on analysis of physical risk scenarios and developing climate change adaptation measures.
Chronic physical risk [Mid-term/ long-term]	<ul style="list-style-type: none"> - Rising sea levels - Increasing average temperatures - Chronic heatwaves 	<ul style="list-style-type: none"> - A study to assess the financial impacts on relevant industries and long-term physical investment assets resulting from the long-term changes in climate patterns. 	

Opportunities related to climate change

Within the global trend towards carbon neutrality, climate finance¹⁾ and sustainable finance²⁾ play a crucial role in addressing climate change. NH-Amundi, as an asset management company, aims to deliver new opportunities to investors who seek climate change adaptation and sustainable investments. This is achieved through differentiated ESG asset management processes and ESG investment solutions, including product offerings through a rigorous climate-related research process.

- 1) Climate Finance: Financial activities that aim to enhance greenhouse gas reduction or absorption, promote the resilience of humanity and ecosystems to adverse climate impacts, and reduce vulnerability.
- 2) Sustainable Finance: Financial services, products, and processes that directly or indirectly contribute to the United Nations' Sustainable Development Goals (SDGs).

Type	Investment opportunity and impact	Implementation
Resource efficiency	<ul style="list-style-type: none"> Identifying technology innovation companies and firms focused on energy efficiency to improve investment returns. Implementing measures to improve energy efficiency in tangible assets such as office spaces to reduce internal operating costs and carbon emissions. 	Mid- to long-term
Energy resource	<ul style="list-style-type: none"> Promoting improved profitability through portfolio investments in companies engaged in energy resource transition, carbon credit trading, and low-carbon technology. 	Short-, mid- and long-term
Product and service	<ul style="list-style-type: none"> Offering sustainable ESG investment products and services, including low-carbon financial products. 	Short-, mid- and long-term
Market	<ul style="list-style-type: none"> Identifying investments in eco-friendly infrastructure projects (such as low-carbon energy production, energy efficiency, and carbon-efficient supply chains) and raising funds for these projects and launching new ESG-themed funds. 	Short-, mid- and long-term
Resilience	<ul style="list-style-type: none"> Enhancing engagement activities and supporting portfolio companies' ESG efforts to strengthen the resilience of asset portfolios. Enhancing the long-term operational capabilities of the organization through strengthening employee ESG education, fostering a company-wide consensus through ESG management policies, and ensuring proactive responses to climate change risks. 	Mid- to long-term

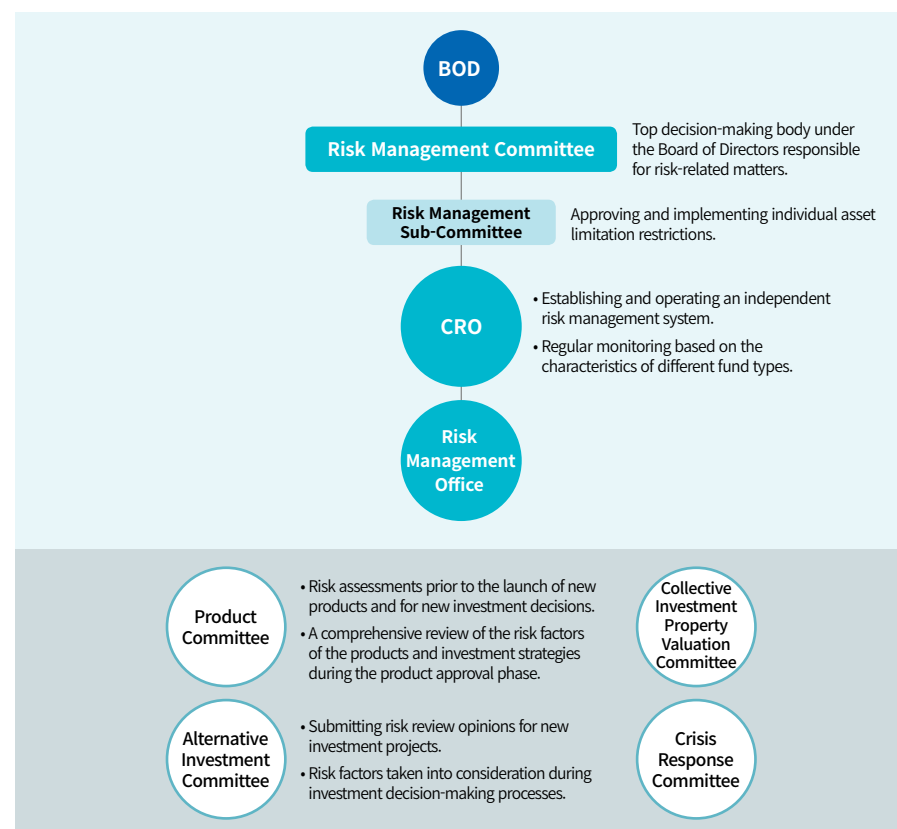
(Short-term: 0-3 years, mid-term: 3-10 years, long-term: more than 10 years)

Risk Management

Objectives of the climate risk management and operation system

NH-Amundi plans to establish a climate risk assessment and management process in accordance with NongHyup Financial Group's climate risk management system. We are reviewing the integration of climate risks and ESG factors into the overall risk management process, leveraging ongoing ESG collaborative research inside the company and cooperation with Amundi.

Risk management organization system



Risk management and monitoring

NH-Amundi conducts regular monitoring focusing on key risks such as market risk, credit risk, and liquidity risk. For traditional assets, risk limits are set by style, and risk indicators are checked on a daily and weekly basis. Risk indicators and pre-assigned limits are periodically reviewed, and if any anomalies are detected, immediate notification is given to the investment team for preparation of action plans. Through regular portfolio performance analysis meetings, fund managers, CIOs, and CROs share information on fund performance and risk status.

Major risks

Risk factor



Definition

Decrease in investment asset value due to market fluctuations such as interest rate changes, stock market movements, and currency exchange rate fluctuations.

Losses as a result of counterparty default.

Inadequate liquidity of investment assets leading to the inability to meet redemption requests.

Management and monitoring

- Conducting market risk assessments including interest rate, stock market, and exchange rate risks.
- Monitoring tracking errors, volatility, and duration.
- Issuing corrective measures in case of violations of internal regulations.

- Pre-approval of counterparties during the selection process.
- Setting credit limits.
- Daily monitoring of whether investment limits are exceeded.
- Prompt notification to clients and evaluation of options, such as divestment, in the event of credit events.

- Liquidity management of investment assets
- Reviewing contingency plans for liquidity in the event of unexpected events.

Carbon reduction indicators and objectives

Based on the NongHyup Financial Group's internal carbon emissions measurement manual, we measured the internal carbon emissions (Scope 1, 2) from our fixed assets and other indirect emissions (Scope 3) in 2022. The direct emissions (Scope 1) were calculated based on emissions from assets owned and controlled by the company, primarily associated with business vehicles. For indirect emissions (Scope 2), we measured emissions from the electricity consumed by the company. In the case of other indirect emissions (Scope 3), we calculated emissions from product and capital purchases and business travel. The main factor contributing to the increase compared to the previous year was the increase in electricity consumption due to the expansion of office space following the recruitment of personnel.

The fundamental steps for reducing carbon emissions are measurement and management. NH-Amundi continuously monitors the measured carbon emissions and has set internal carbon emission reduction targets to achieve NongHyup Financial Group's carbon neutrality by 2040. We will implement concrete carbon emission reduction strategies to achieve zero internal carbon emissions by 2040.

Carbon emission types

Classification	Definition	Type of emission from financial businesses	
Scope 1 (Direct emission)	Carbon emissions from power generation facilities, factories, vehicles, etc.	Vehicles owned by the company.	Internal carbon emissions
Scope 2 (Indirect emission from energy use)	Carbon emissions from electricity consumption, heating and cooling fuels, etc.	Electricity consumed by buildings, computer equipment, etc.	
Scope 3 (Duplicate emission)*	Upstream (Emissions generated during the manufacturing process of the products used)	Carbon emissions generated during the manufacturing process of the products used.	Other indirect emissions
		Carbon emissions from card issuance, paper usage, etc.	

* Downstream carbon emissions from financial asset portfolio are excluded.

Internal carbon emissions (Unit: tCO₂eq, tCO₂eq/person)

Classification	2020	2021	2022.06
Scope 1	55	52	54
Scope 2	133	160	85
Total internal carbon emissions (Scope 1, 2)	188	212	109
Carbon footprint	1.16	1.24	-

Other indirect carbon emissions (Unit: tCO₂eq)

Classification	2020	2021
Product procurements	1.55	1.13
Capital goods	6.94	3.52
Wastes	-	-
Business travels	1.58	1.25
Product disposals	-	-
Total other indirect carbon emissions (Scope 3)	10.07	5.9

*The measurement methodology can be found on pages 34-36 of the NHFG Sustainability Report.

ESG investment insight - CIO interview



Head of Equity Investment Division of NH-Amundi Asset Management
Senior CIO Soongchul Ko

**As a CIO,
how do you see
the ESG investment
trends for 2022
and beyond?**

ESG has recently faced some confusion and challenges in our society. The diverse approaches taken in different fields have led to unintended consequences and a lack of clarity in the direction of ESG initiatives. The Russo-Ukraine conflict, economic slow-downs, and various countries' responses to the COVID-19 pandemic have resulted in underperformance of ESG funds. Additionally, the introduction of anti-ESG legislation in certain regions has led to skepticism about long-term ESG investments. However, last year was a challenging year not only for ESG but also for the overall market due to macro-economic factors such as interest rate hikes and worsening inflationary conditions.

However, despite these challenges, I believe the momentum of ESG investing will continue. Countries worldwide have committed to the implementation of the Paris Agreement and reaffirm this commitment through the annual UN Climate Change Conferences. Addressing the climate crisis has become a top priority on the international agenda. The transition to a low-carbon, environmentally friendly economy is essential in industrial activities, and companies need to adapt their survival strategies to align with this changing trend in order to thrive in the long run. Furthermore, as legislation mandating ESG disclosures progresses, companies are required to demonstrate that they consider not only economic interests but also social issues and positive outcomes for stakeholders.

**What is NH-Amundi's
ESG investment
strategy direction?**

I believe that ESG management and investment have now evolved from a stage of "declaration" to "execution." The issue of "greenwashing" will be assessed by the market, and companies that can prove their true value will be highlighted. NH-Amundi, leveraging its 17 years of expertise in managing the first and largest ESG funds in Korea, along with the global network of Amundi, the largest ESG asset manager, will enhance the investment processes to actively identify companies that align with the era of ESG transition. Also, through responsible stewardship activities, we will fulfill our responsibilities as an asset manager transparently and strive to provide stable and sustainable returns, rewarding the trust and support of our clients.

3. ESG Investment

3-1. ESG Investment Philosophy

3-2. ESG Investment Process

3-3. Stewardship Activities

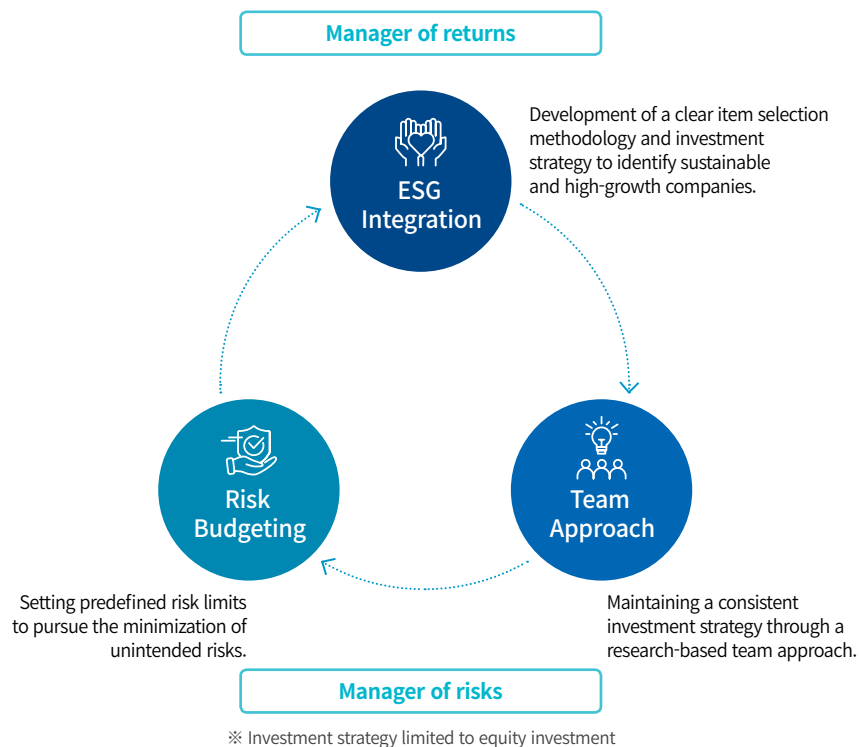
3-4. ESG Investment Products

3-1. ESG Investment Philosophy

NH-Amundi's ESG investment journey

NH-Amundi has been at the forefront of ESG investing since its establishment, launching the country's first SRI mutual fund in Korea after establishing the SRI equity fund of KRW 50 billion for the National Pension Service (NPS) in 2006. Currently, NH-Amundi manages equity funds for a total of ten major pension funds and mutual aid associations, including the NPS. With 17 years of experience, NH-Amundi has continuously provided ESG responsible investment products and solutions. Additionally, as a joint venture with Amundi, NH-Amundi incorporates advanced ESG methodologies of Amundi through ongoing knowledge exchange, etc. The internally developed evaluation methodology is a distinctive strength of NH-Amundi's ESG operations.

Investment fundamentals and philosophies



Investment philosophy

NH-Amundi established a solid investment philosophy of managing returns and risks when the company was founded. In March 2021, we added a sustainability perspective by fully incorporating ESG factors, setting a new direction for our investments. Grounded in the fiduciary duty of loyalty, NH-Amundi aims to pursue sustainable investments for future generations and fulfill its environmental and social responsibilities. With the principles of growth and sustainability as the foundation, NH-Amundi is committed to faithfully fulfilling its fiduciary responsibilities to achieve long-term asset growth for clients.



We are not just simple fund managers, but rather managers of returns and risks.

Additionally, we strive for responsible management that is dedicated to sustainable investments and environmental and social responsibilities for future generations.

3-2.ESG Investment Process

Basic matters of the ESG investment process

We are integrating the sustainability perspective of ESG evaluation into our existing investment philosophy and process, focusing on sustainable growth. Based on the Regulation of ESG Management established in November 2021, we are making efforts to incorporate the ESG investment process across our entire asset portfolio. Currently, the establishment of internal control standards and processes for ESG investment has been completed for domestic equity and fixed income investments. We are continuously refining our responsible investment guidelines and related guidelines to enhance our evaluation methodology to align with global standards and reflect the strengthening ESG regulations and policies.

ESG regulation system

Regulation of ESG Management

Formalizing the incorporation of ESG factors into the overall management activities of the company

Guideline of Equity Investment Business

Guideline of Socially Responsible Investment

- Define the purpose, scope, and terminology of responsible investment in equities.
- Explain the responsible investment process, including ESG evaluation/analysis, construction of ESG universe, and portfolio management.
- Specify the appointment of responsible investment personnel within Equity Investment Division.

Internal Guideline of Stewardship Activities

- Define the types of activities and procedures for fulfilling the fiduciary responsibilities in accordance with the “Principles of Fiduciary Duty.”
- Explain the principles of fiduciary responsibility (Stewardship Code)

Internal Guideline of Proxy Voting

- Guideline on exercising of voting rights

- In 2018, the “Internal Guideline of Stewardship Activities” and the “Stewardship Code” were established.
- From 2019 to 2022, the “Guideline of Equity Investment Business / Guideline of Socially Responsible Investment / Internal Guideline of Proxy Voting” were established or revised.
- In April 2022, the “Guideline of Socially Responsible Investment” was revised, implementing investment exclusions for the lowest rating (Grade G) and continuing to enhance ESG investment criteria.

Guideline of Socially Responsible Fixed Income Investment

- Define the purpose, scope, and terminology of responsible fixed income investment.
- Explain the responsible investment process, including ESG evaluation/analysis, construction of ESG fixed income universe, and portfolio management.
- Specify the appointment of responsible investment personnel within Fixed Income Investment Division.

- In November 2021, the Guideline of Socially Responsible Fixed Income Investment was established.
- In September 2022, the Guideline was revised, expanding the scope of application to include all funds.

Equity investment



Team Approach

Applying a consistent House-View through research-based Model Portfolios (MP).



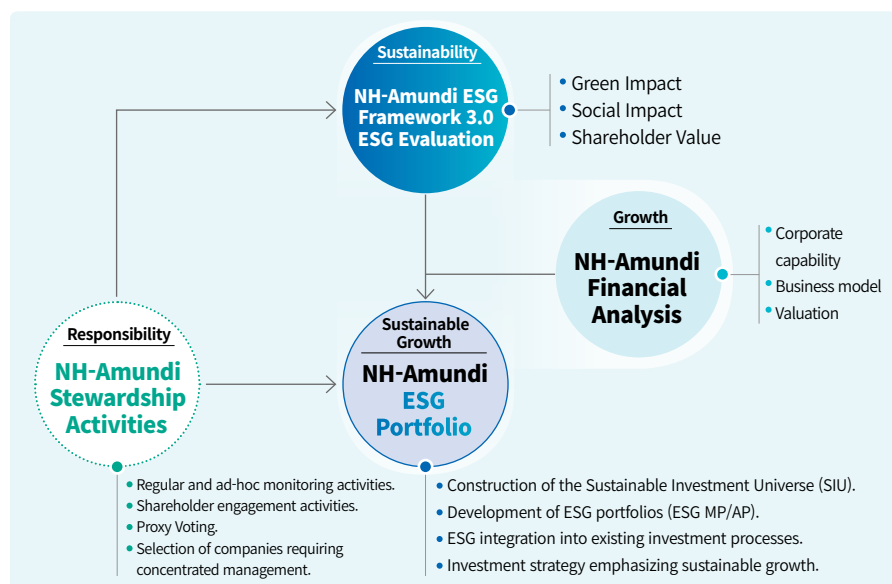
ESG Integration

Developing a clear methodology and investment strategy to identify sustainable and strong-performing stocks.
Developing a proprietary financial analysis methodology and an ESG evaluation system and asset management strategy.



Risk Budgeting

Calculating and assigning risk limits in advance to generate targeted returns.



NH-Amundi has enhanced its proprietary ESG evaluation system

- Launched NH-Amundi ESG Framework 3.0, incorporating global standards in 2022.
- Improved the proprietary ESG evaluation model to align with global standards, reflect sector-specific considerations, and enhance timeliness.
- Leveraged methodologies and data from global players like Amundi, MSCI, SASB, Goldman Sachs, as well as domestic leaders such as SUSTINVEST and KCGS and incorporated new international standards such as Taxonomy and UNSDGs.
- Established the system as the foundation of NH-Amundi ESG analysis and ensured organic integration with stewardship activities.



NH-Amundi ESG Framework 3.0				
3 Pillars	E	S	G	
Core Value	Green Impact	Social Impact	Shareholder Value	
GENERIC CRITERIA	<ul style="list-style-type: none"> • Climate Change • natural resources • pollution & waste 	<ul style="list-style-type: none"> • Human Capital • Supply Chain Mgmt • Customer Mgmt • Social Responsibility 	<ul style="list-style-type: none"> • External Control • Internal Control • Anti-Corruption • ESG Strategy 	External assessment(70%)
SECTOR-SPECIFIC CRITERIA	<ul style="list-style-type: none"> • Green Impact (based on Taxonomy) - Renewable energy - Hydrogen - Green Vehicles - Green Chemistry - Green Building - Sustainable Mgmt Forest - Green Insurance - Green Biz - Green Packaging - Recycling 	<ul style="list-style-type: none"> • Social Impact (based on UN SDGs) - Bioethics - Responsible Marketing - Healthy Products - Tobacco-related Risk - Vehicle Safety - Passenger Safety - Responsible Media - Data, Security & Privacy - Digital Divide - Access to Healthcare - Access to Finance - Access to Communication 	<ul style="list-style-type: none"> • Shareholder Value - Dividend Policy - Capital Allocation - Stock Buy Back & Retirement 	Internal assessment(30%)
Controversy				

ESG portfolio strategy

- Strengthening the integration between ESG evaluation and the overall investment process and pursuing <ESG Integration Strategy>* to enhance profitability.
- Portfolio strategy is constructed from three perspectives :
 - Portfolio composed of stocks with high ESG evaluation ratings, accounting for over 70%.
 - Emphasis on investing in medium to long-term growth sectors/ companies from an ESG perspective.
 - Identifying stocks with new catalysts or potential for improvement in ESG performance, even if not reflected in the current ESG evaluation.



* ESG Integration Strategy: A strategy that integrates environmental, social, and governance (ESG) issues into the existing investment decision-making process.

Fixed income investment



Team Approach

Applying a consistent House-View through research-based Model Portfolios (MP).



Active Market Response

Active market response through rigorous research and diverse investment strategies.



Thorough management criteria for investment universe selection

Selection of securities through credit scoring and the Credit Investment Committee. Construction of the ESG universe utilizing ESG factors.

Credit universe



Establishment of independent ESG ratings and ESG universe

- Utilizing various market and analysis data, independently evaluate the ESG ratings of fixed income issuers and reflect them in investments.
- Construct an ESG universe (investment pool) considering the inclusion of ESG fixed income (green bonds, social bonds, sustainable bonds), as well as the ESG ratings based on internal rating results.
- Expand the evaluation coverage of eligible companies for ESG fixed income issuance from 108 to 220 companies (in 2022).
- Engage in ESG portfolio management with investments in the ESG universe exceeding a certain weight.

Execution of ESG strategies contributing to fund performance

- Assess various ESG factors to identify potential factors that can improve the ability to repay principal and discover companies with the potential for future ESG rating upgrades.
- Exercise caution when investing in ESG fixed income issued by companies with low ESG evaluation ratings to address greenwashing concerns.
- Consider ESG scores when incorporating companies into the credit universe, excluding companies with inferior ESG factors.

The plan is to expand the number of eligible investment institutions in the future, creating a broader ESG universe. Additionally, individual company ESG reports will be prepared and provided to investment clients.

Global investment

NH-Amundi has established an ESG screening process for the management of global asset allocation funds to determine the final portfolio composition. When selecting sub-funds for the OCIO (Outsourced Chief Investment Officer) fund, NH-Amundi considers factors such as Amundi ESG scores and ratings, EU SFDR (Sustainable Finance Disclosure Regulation) criteria, and Morningstar Sustainability ratings.

[Example: ESG information of sub-funds of the “OCIO” fund]

Fund name	Amundi ESG rating	Morningstar Sustainability Rating*	EU SFDR* application
Sub-funds of the equity master fund of the OCIO fund			
Amundi Fds Glb Ecology ESG	Available	High	Article 9
Mirova Global Sust Eq	Available	High	Article 9
BNP Paribas Aqua	Available	Average	Article 9
Sub-funds of the fixed income master fund of the OCIO fund			
RobecoSAM Global SDG Credits	Available	Above Average	Article 8
Sub-funds of the alternative investment master fund of the OCIO fund			
KBI Glb Sust Infrast	Available	Average	Article 8
KBI Global Resource Solutions Fund	Available	Above Average	Article 8

*The Sustainable Finance Disclosure Regulation

Alternative investment

The transition to a carbon-neutral era is already a global trend in the market. According to the International Energy Agency (IEA), achieving carbon neutrality by 2050 would require an annual investment of \$1 trillion in renewable energy by 2030. Additionally, investments totaling \$1.87 trillion annually would be needed in areas such as battery storage, energy efficiency, electric vehicle charging infrastructure, grid expansion, hydrogen, carbon capture and storage, and more. NH-Amundi has been making continuous investments in renewable energy generation and plans to continue investing in line with carbon-neutral goals.

ESG due diligence is inherent in the alternative investment sector, as the key investment targets in this sector require environmental impact assessments and community consent as key licensing requirements. In 2022, NH-Amundi established an ESG evaluation system for new investments in the alternative investment sector, incorporating ESG-related factors into screening and risk mitigation measures in the individual asset investment review process. Moreover, for private equity fund (PEF) investments, NH-Amundi has introduced ESG cutoff criteria and checklist to review sustainable investment as a crucial factor in investment decision-making.

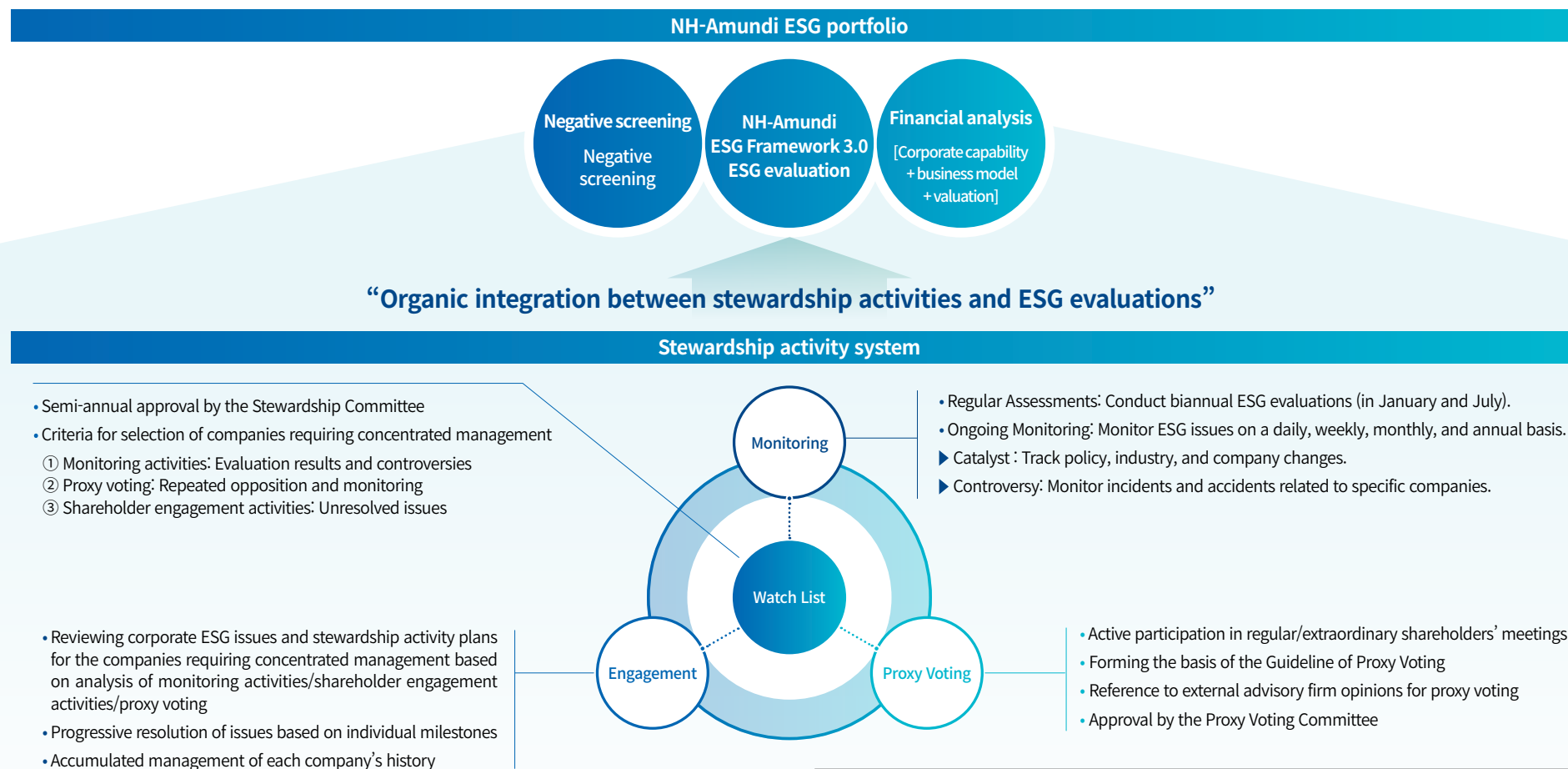
NH-Amundi is also developing an ESG monitoring system for existing investment cases. Collaborating with risk management teams, NH-Amundi is enhancing the ESG risk management process in the alternative investment sector and developing risk management indicators specific to asset classes. Going forward, NH-Amundi plans to review the ESG evaluation and monitoring system from multiple perspectives for asset classes in alternative investments and conduct regular reporting on ESG compliance.

3-3. Stewardship Activities

Introduction of stewardship codes and active shareholder activities

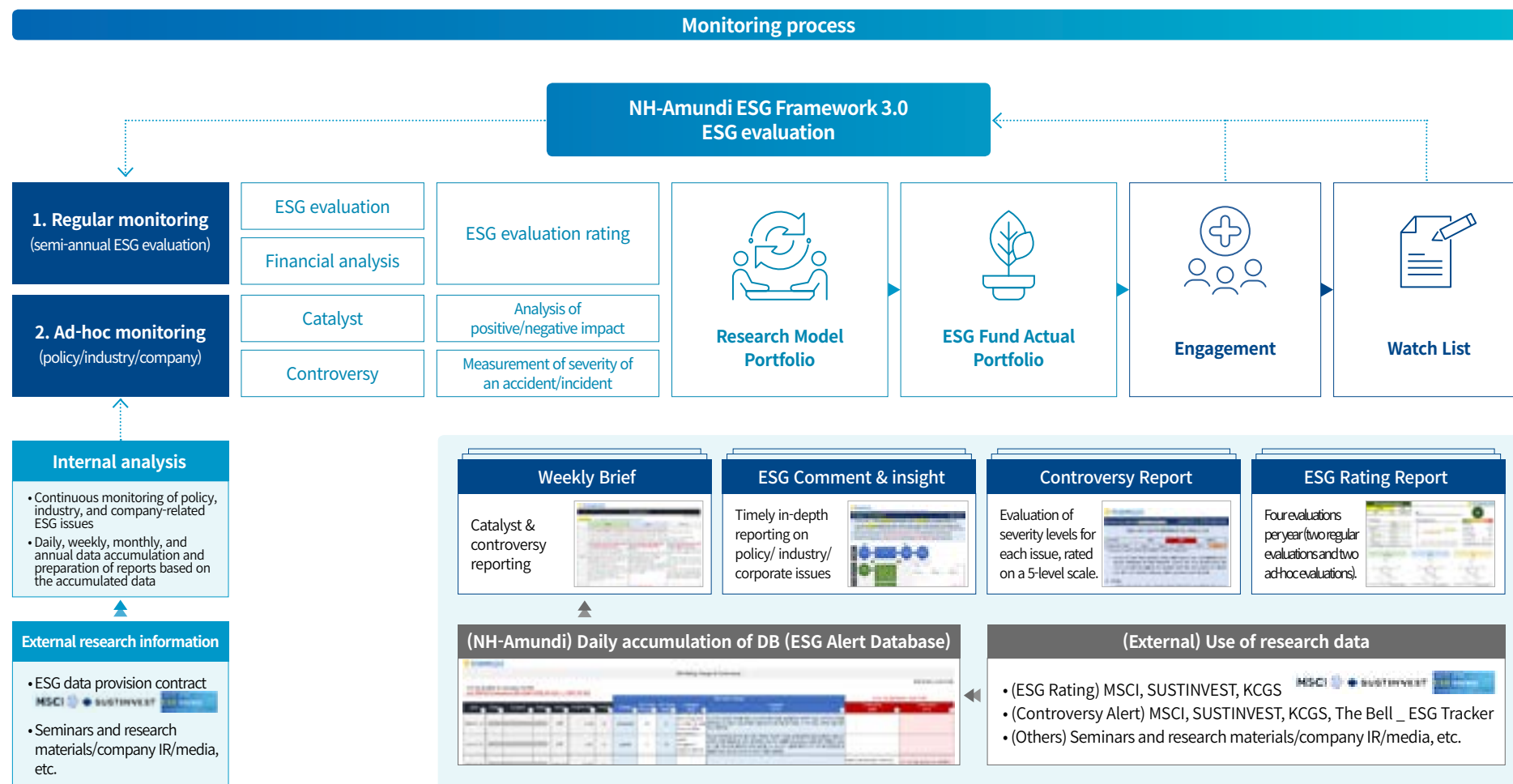
NH-Amundi adopted the Stewardship Code's seven principles on December 28, 2018. Since then, NH-Amundi has actively implemented stewardship activities based on the [NH-Amundi ESG Framework 3.0] evaluation criteria for companies in its ESG portfolios. Key activities include monitoring activities, shareholder engagement activities, proxy voting, and selection of companies requiring concentrated management. Ultimately, the goal is to maximize risk-adjusted returns through the enhancement of corporate value of invested companies.

Organic integration between stewardship activities and ESG evaluations



(1) Monitoring

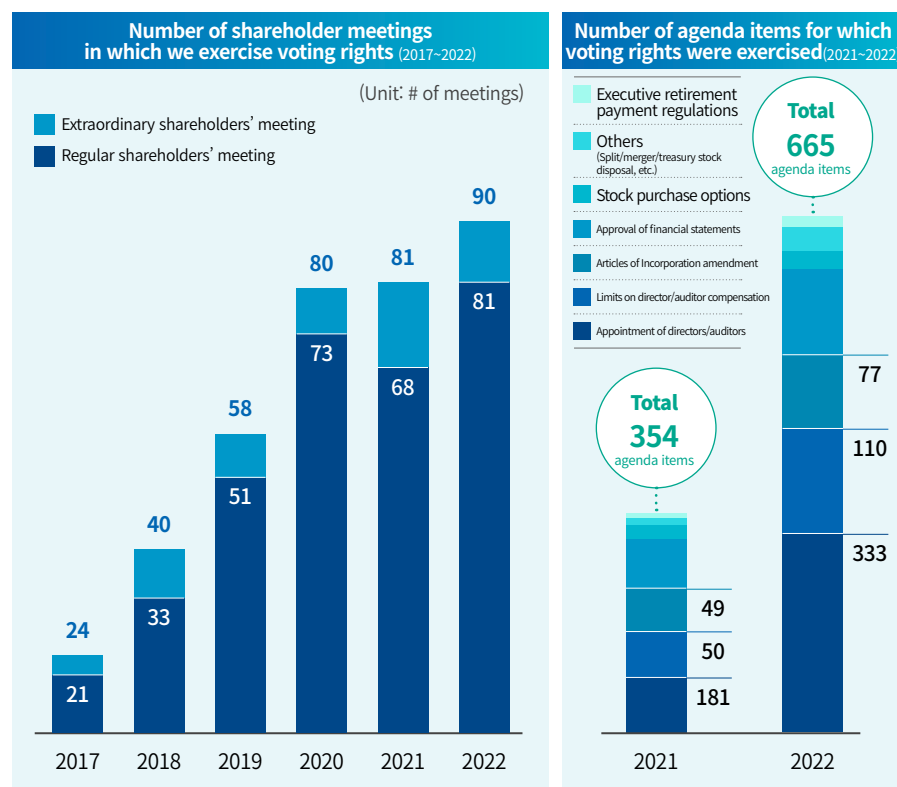
Based on the [NH-Amundi ESG Framework 3.0], we conduct regular and ongoing assessments. The regular assessments are conducted biannually in January and July to determine the ESG ratings. For ongoing monitoring, our ESG research team collects and analyzes daily, weekly, monthly, and annual data on policy, industry, and company issues using external research sources and prepare reports based on this information. The findings from these assessments are shared during the daily morning meetings in Equity Investment Division and are incorporated into ESG evaluations and investment decision-making processes.



(2) Proxy Voting

NH-Amundi performs a process in which the “Proxy Voting Committee” approves the opinions of support or opposition determined by the working-level employees based on the “Internal Guideline of Proxy Voting” and ESG evaluation results. We have contracted with three representative domestic advisory agencies to ensure expertise and objectivity.

Furthermore, in order to fully fulfill our fiduciary responsibilities, we continue to expand the scope of voting rights exercise beyond the legal obligations set by the Capital Market Act, considering the amount of holdings, the shareholding ratio, and the importance of the agenda. As a result, [the number of shareholder meetings in which we exercise voting rights] has steadily increased by an average of about 30% annually since 2017. As of 2022, we exercised voting rights for a total of 90 companies (through 81 regular shareholders’ meetings and 9 extraordinary meetings). [The number of agenda items for which voting rights were exercised] in 2022 was 665 in total, with appointments of directors and auditors accounting for approximately 50% of the total.



Source: NH-Amundi Asset Management

(3) Shareholder engagement activities

NH-Amundi is conducting a comprehensive analysis of ESG issues and activities for companies requiring concentrated management, taking into account [monitoring activities, shareholder engagement activities, and proxy voting results]. Through milestone-based management and accumulation of company-specific history for each issue, we aim to pursue effective resolution of ESG issues. We also incorporate the company's response status to the ESG issues identified through shareholder activities into our ESG evaluation process.

History of shareholder engagement activities (2020-2022)



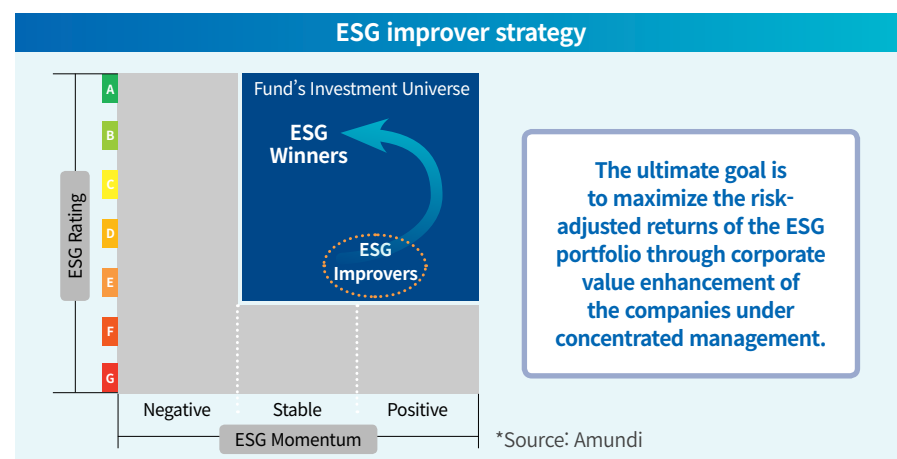
*Closure: 1) Resolution of the issue or 2) Determination that further engagement is unnecessary.



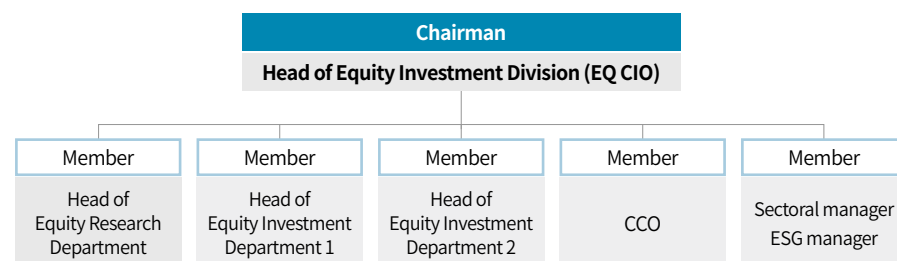
* The thematic classification is also based on the analysis standards of [NH-Amundi ESG Framework 3.0].

(4) Watch List

We conduct comprehensive analysis of the [monitoring activities/shareholder engagement activities/proxy voting] history of the companies in the Sustainable Investment Universe (SIU) with existing or unresolved ESG issues selected on a semi-annual basis to assess ESG issues and to review shareholder engagement activities. The ultimate goal is to maximize the risk-adjusted returns of the ESG portfolio through corporate value enhancement of the companies under concentrated management.



Fiduciary Responsibility Committee and Proxy Voting Committee



1. Fiduciary Responsibility Committee: To fulfill the activities related to fiduciary responsibility, a "Fiduciary Responsibility Committee" is established and operated. The committee convenes at least twice a year as a general principle, but can be called for ad hoc meetings when deemed necessary.
2. Proxy Voting Committee: To enhance the independence of voting rights exercise, a "Proxy Voting Committee" has been established and operated since 2019. The composition of the committee is the same as that of the Fiduciary Responsibility Committee.

3-4. ESG Investment Products

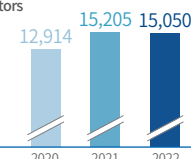
Since the introduction of responsible investment in the domestic market in 2006, we have been launching ESG-related products based on the industry's longest period of ESG investment experience. The size of ESG asset management has steadily increased, and it has currently grown to a scale of KRW 3.3 trillion in net assets (KRW 4.2 trillion based on NAV, Net Asset Value)

Status of ESG AUM by asset class

(In KRW 100m)

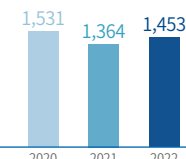
Equity investment

Flagship public offering funds (e.g., Green Korea) and investment mandates from major pension funds and institutional investors



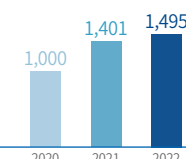
ETF

Eco-friendly ETF, carbon credit ETF, etc.



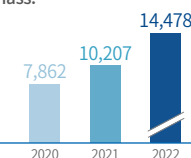
Fixed income investment

ESG-specialized private placement fund, etc.



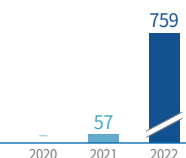
Alternative investment

Infra financing related renewable energy, including solar, wind, and biomass.



Global investment

Good Earth OCIO Asset Allocation Fund, global ESG private placement fund



Status of ESG AUM

(In KRW 100m)

Classification	Details	2020	2021	2022
Asset management	ESG integration	15,462	17,178	17,308
	Environment	7,628	11,054	15,927
Total		23,090	28,232	33,235
Company-wide AUM		448,942	475,502	503,875
Share of ESG AUM (%)		5.10%	5.90%	6.6%

Source: NH-Amundi Asset Management

ESG product strategy

We have secured an ESG product lineup in all areas of equity, fixed income, alternative, and global investment, generating excellent performance. Going forward, we aim to expand the ESG investment areas across all asset classes and promote product diversification through benchmarking Amundi's ESG product strategies. We strive to become a leading ESG asset manager by achieving excellent ESG investment performance and meeting investors' demands through exploring various ESG themes and delivering stable investment returns.

Equity	Fixed income	Global	Alternative
Enhancing integration with the ESG investment strategies and processes of Amundi Asset Management, a global leading ESG asset manager and strengthening collaboration with external ESG research and index providers such as MSCI to expand the offering of active and ETF-based ESG products.	Investing in ESG bonds (green bonds, social bonds, sustainable bonds) and also independently establishing a proprietary ESG Universe, to build a product lineup that incorporates strategies to respond to market ESG factors.	Establishing a direct management-related global ESG process through collaboration with Amundi. Forming partnerships with leading overseas ESG asset managers and utilizing Amundi's ESG Buylist to offer a product lineup that is tailored to the domestic market in a timely manner.	Planning to launch ESG Infrastructure blind funds and expanding network of investment partners both domestically and globally based on expectation for further expansion of ESG-related domestic and international infrastructure investments.

Alternative investment case study: Expansion of domestic and global investment partnership

A memorandum of understanding (MOU) has been signed with a global asset manager, IFM Investors, on November 17, 2022, in Sydney, Australia, with the aim of ESG investments. (*22.11.17., Sydney, Australia)

* IFM Investors: IFM Investors, with approximately AUD 200 billion (about KRW 180 trillion) in assets under management as of the end of June 2022, is the world's fourth-largest global infrastructure asset manager, operating one of the largest funds (around KRW 50 trillion) in the infrastructure sector. Their goal is to achieve carbon neutrality (Net-Zero) for all invested asset classes by 2050.

- Through the MOU on ESG investment collaboration, the aim is to secure stable ESG investment opportunities based on a global network.
- Planned investments include IFM's Net-Zero Infrastructure Fund, which focuses on environmentally friendly infrastructure assets such as renewable energy, low-carbon energy, carbon capture technology, and power infrastructure to achieve carbon neutrality.
- This collaboration provides an opportunity to proactively participate in the global transition to clean energy and seize ESG investment opportunities in advance.



Major product status

As of December 31, 2022

Fund name	AUM	Description	Details	Remark
Green Korea Fund	KRW 303.2bn	The Fund invests in companies that are sustainable and have growth potential by considering both ESG factors (environmental, social, governance) and fundamental factors that contribute to company value (growth, profitability, stability).	<ul style="list-style-type: none"> In June 2022, the Fund became the first in Korea to obtain the [official ESG fund certification] from FnGuide. The Fund has also implemented our NH-Amundi's proprietary ESG assessment system, which is aligned with global standards. The Fund's portfolio has a significant allocation of over 70% to companies with excellent ESG ratings (A to C grades). It also invests more than 20% of the assets in green-themed companies. 	- Official ESG fund certification
Good Earth OCIO Asset Allocation Fund	KRW 70.5bn	Based on Amundi's ESG investment capabilities, the Fund constructs ESG portfolios and offer OCIO services in the form of public offering funds through our asset allocation strategies that take into account market conditions.	<ul style="list-style-type: none"> The Fund implements an OCIO approach in the form of public offering funds, providing retail investors with similar benefits to pension fund OCIO services. The fund's investment strategy is based on the global asset allocation strategies and ESG screening of Amundi, a global leading ESG asset manager. It aims to respond to global market trends based on global asset allocation strategies. 	
HANARO Carbon Efficiency Green New Deal ETF	KRW 12.1bn	The Fund replicates the KRX/S&P Carbon Efficiency Green New Deal Index, which assigns higher weights to companies with lower carbon emissions and lower weights to companies with higher carbon emissions, to pursue returns.	<ul style="list-style-type: none"> The Fund invests in proactive leading companies that are actively committed to reducing carbon emissions, proactively reflecting the needs of the era aiming for carbon neutrality. 	
HANARO Global Carbon Credit ETF	KRW 10.0bn	The Fund replicates the ICE Global Carbon Futures Index ER, which consists of carbon credit futures with high liquidity, including EUAs (Europe), CCAs (North America), and RGGIs (US Northeast) to pursue returns.	<ul style="list-style-type: none"> The global response to the climate crisis and aggressive carbon reduction targets. The worldwide expansion of the carbon credit market, which is considered the most effective means of greenhouse gas reduction. 	
HANARO Global Water ETF	KRW 8.0bn	The Fund replicates the MSCI ACWI IMI Water ESG Filtered Index, which is composed of companies that invest in water-related sectors such as water supply, wastewater treatment, and water-related equipment to pursue returns by investing in companies that contribute to sustainable water management and meet ESG requirements. This approach allows us to align our investments with water-related ESG considerations while seeking potential profitability.	<ul style="list-style-type: none"> Selecting companies that meet at least one of the criteria: GICS Sector, business segment relevance score, and sustainable water revenue. Removing companies that do not meet the criteria of GICS Sector, MSCI ESG Score, SDG criteria, and sustainable water revenue. 	

Major product status

Fund name	AUM	Description	Details		Remark	
HANARO Global Renewable Energy ETF	KRW 7.0bn	The Fund replicates the MSCI ACWI IMI New Energy ESG Filtered Index, which excludes companies with low ESG scores, focusing on the development of alternative energy, energy efficiency, battery, and smart grid-related products and services.	With the increasing focus on climate crisis response and energy security, there is an outlook for active investment and expansion in renewable energy projects worldwide.			
ESG FI Private Placement Fund	KRW 50.6bn	The Fund invests in domestic bonds (rated AA- or higher) that include special-purpose bonds for ESG-related fundraising purposes, such as green bonds, social value bonds, and sustainable bonds to pursue returns.	Achievement of ESG investment purposes, through the use of ESG bonds as a clear ESG thematic investment tool. In addition, a parallel approach is taken to invest also in traditional bonds to enhance profitability.			
Green New Deal FI Private Placement Fund	KRW 50.0bn	The Fund invests in domestic bonds (rated AA- or higher) that include special-purpose bonds for ESG-related fundraising purposes, such as green bonds, social value bonds, and sustainable bonds to pursue returns.	Achievement of Green New Deal investment purposes through the investment in bonds related to agriculture and convergence industries. In addition, a parallel approach is taken to invest also in traditional bonds to enhance profitability.			
Mirova Global ESG Private Placement Fund	KRW 5.4bn	The Fund seeks returns by investing in the Mirova Global Sustainable Equity Fund, which focuses on investing in global companies with sustainable growth potential.	Mirova is an asset manager specialized in SRI. The portfolio makes concentrated investments in approximately 50 select securities in which there is a strong investment conviction based on ESG-oriented investment processes.			
Status of other ESG-related alternative investments at home and abroad	(Please refer to the table below.)	Investments in infrastructure assets, such as power generation projects and social infrastructure, which generate stable and predictable cash flows.	Investments are made in domestic and international environmentally friendly/ renewable energy projects, such as solar and wind power generation. Additionally, it continues to expand investments in social infrastructure projects that contribute to the public purpose, including waste management facilities, mobility infrastructure, and communication towers.			
Classification	Solar	Wind	Biomass	Waste treatment	Mobility infra (semi-public bus operation system)	Total
AUM (In KRW 100m) ¹⁾	1,209	1,228	6,029	425	1,703	10,594

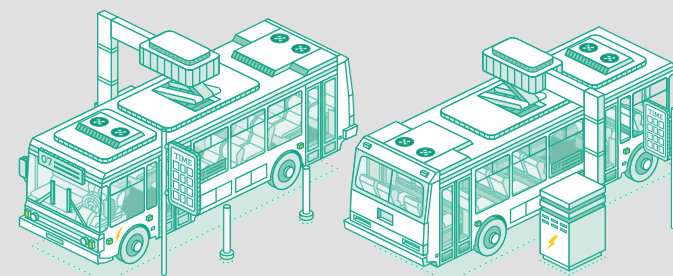
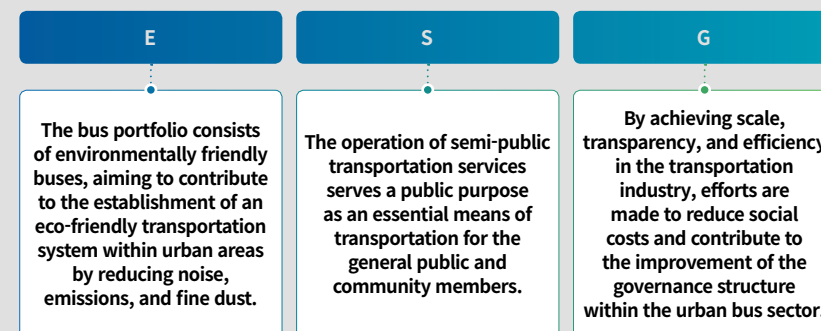
1) Some FoFs investing in diverse assets are not included in the above classification by asset class.

Source: NH-Amundi Asset Management

Case study: An alternative investment project

NH-Amundi ESG Mobility Infrastructure Fund invests in the refinancing and new financing of acquisition financing schemes for semi-public urban bus operators managed by TCHA Partners Asset Management. Established in September 2021, the Fund aims to increase the size, to improve transparency, and to institutionalize small-sized urban bus operation businesses to reduce social costs and to ultimately advance the urban bus operation industry. It particularly supports the transition to environmentally friendly buses such as electric and hydrogen-powered vehicles. The social loans implemented by this Fund have received the highest ESG certification rating of 'S1' from Korea Ratings, making it the first of its kind in Korea. NH-Amundi ESG Mobility Infrastructure Fund is a significant achievement that promotes sustainable economic activities, encourages long-term investments, and prevents greenwashing through post-management evaluations. Going forward, NH-Amundi is committed to actively promoting ESG alternative asset investments and executing high-quality ESG investments to fulfill its responsibility to customers' investments.

ESG investment points



Appendix

Major awards

Date	Award
Dec 2022	Seoul Economy 2022 Korea Securities Award “Best Overseas Fund of the Year” (USD Ultra Short Term Fund)
Dec 2022	Money Today 2022 Korea Fund Award “Best Overseas Fund of the Year” (USD Ultra Short Term Fund)
Nov 2022	Herald Economy 2022 Herald Investment Award “Best Overseas Fund of the Year” (USD Ultra Short Term Fund)
Mar 2022	Maeil Economy 2022 Maekyung Securities Award “Best Fixed Income Manager of the Year”
Feb 2022	KGZeroIn 2022 Korea Fund Awards “Best Retirement Pension Product of the Year”
Dec 2021	Seoul Economy 2021 Korea Securities Award “Best ESG Fund of the Year” (Green Korea Fund)
Dec 2021	Money Today 2021 Korea Fund Award “Best Overseas ETF of the Year” (HANARO Global Luxury S&P)
Nov 2021	Herald Economy 2021 Herald Investment Award “Best Domestic Fund of the Year” (Green Korea Fund)
Feb 2021	Korea Economy 2021 Korea Fund Award “Best Domestic Equity Fund of the Year” (Victorious Korea)
Dec 2020	Money Today 2020 Korea Fund Award “Best ESG Fund of the Year” (Green Korea Fund)
Nov 2020	Seoul Economy 2020 Korea Securities Award “Best Domestic Fund of the Year”
Apr 2020	Maeil Economy 2020 Maekyung Securities Award “Special Fund Award” (Victorious Korea Fund)
Feb 2020	Korea Economy 2020 Korea Fund Award “ETF Grand Prix”
Feb 2020	KGZeroIn 2020 Korea Fund Awards “Best Global Fixed Income Fund of the Year”
Dec 2019	Money Today 2019 Korea Fund Awards “Best Innovative Fund of the Year” (Victorious Korea Fund)
Nov 2019	Seoul Economy 2019 Korea Securities Award “Best Fund Manager of the Year” (Victorious Korea Fund)
Jan 2019	Gerald Economy 2019 Herald Investment Award “Best Domestic Fund of the Year” (Victorious Korea Fund)
Feb 2019	KGZeroIn 2019 Korea Fund Awards “Grand Prix”
Feb 2019	Maeil Economy 2019 Maekyung Securities Award “Grand Prix – Fund”
Nov 2018	Seoul Economy 2018 Korea Securities Award “Best Overseas Fund of the Year” (Global Subordinate Bond Fund)
Feb 2018	Best SRI Manager of the Year” selected by GEPS
Jan 2017	Maeil Economy 2017 Maekyung Economy Award “Best CIO of the Year”
Nov 2016	Seoul Economy 2016 Korea Securities Award “Best Risk Management and Fund Manager of the Year”



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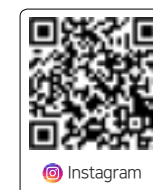
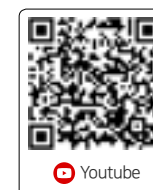
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 **NH-Amundi Asset Management**