KIC Investment Policy Statement

Enacted on June 22, 2006

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Amended on June 24, 2016

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I. Introduction

1. Overview

The purpose of this investment policy statement (the "IPS") is to stipulate the principles, standards, and procedures that the Korea Investment Corporation (the "Corporation") must adhere to when it manages entrusted assets from the Korean government, the Bank of Korea, and other public funds defined under the National Finance Act. This IPS provides the framework for overall investment management activities, and the Corporation shall abide by the rules and regulations specified in this IPS when making decisions related to asset management. With respect to the Corporation's asset management, this IPS covers the following areas:

(1) Overview

(2) Organization and roles

(3) Investment policies

(4) Asset allocation
(5) External service providers
(6) Risk management
(7) Performance evaluation
(8) Compliance

2. Validity
This IPS takes effect upon approval by the Steering Committee. The Steering Committee shall regularly review and revise this IPS to ensure that investment policies are consistent with the Corporation's purpose of establishment. This IPS shall apply to all entities or individuals related to the Corporation's asset management, including the Steering Committee, officers and employees of the Corporation, external fund managers, external advisors, custodian banks, and brokers.

II. Organization and Role

1. Steering Committee
The Steering Committee, as the highest decision-making body of the Corporation, shall establish basic management policies and review evaluations of management performance. The Steering Committee shall deliberate and resolve the following matters related to investment:
(1) Mid- and long-term investment policies of the Corporation
(2) Entrustment of assets to the Corporation
(3) Annual investment plan of the Corporation
(4) Risk management policies of the Corporation

(5) Any direct investment in an alternative asset, the total of which exceeds USD 500 mn

The Steering Committee may, if necessary, inspect the business of the Corporation.

2. Steering Committee Subcommittees

The Steering Committee shall establish an investment subcommittee (the "Investment Subcommittee") and a risk management and audit subcommittee (the "Risk Management and Audit Subcommittee"), both of which shall review matters delegated to them by the Steering Committee. The Investment Subcommittee shall review the following matters and report its findings to the Steering Committee:

(1) Establishment and revision of investment policies
(2) Establishment of the annual investment plan
(3) Other investment-related matters submitted to the Steering Committee for deliberation and resolution

The Risk Management and Audit Subcommittee shall review the following matters and report its findings to the Steering Committee:

(1) Establishment and revision of risk management policies
(2) Status report of annual investment performance and risk management
(3) Other risk management-related matters submitted to the Steering Committee for deliberation and resolution
(4) Matters pertaining to Article 2 (2) of KIC's audit regulations

3. Board of Directors

The Board of Directors ("BOD"), which consists of the Chief Executive Officer ("CEO") and other executives, shall resolve certain matters submitted to the Steering Committee for deliberation and resolution. As the head of KIC, the CEO shall preside over the operations of KIC, assist the Steering Committee in the establishment of mid- and long-term policies, etc.

4. Investment Committee

The Investment Committee ("IC") consists of KIC employees selected by the BOD and is chaired by the CEO of KIC. The IC shall deliberate and resolve the following matters related to the investment and management of entrusted assets:

(1) Matters related to the selection of external fund managers(s) (“EFM(s)”) for traditional and alternative investments

(2) Matters related to the direct investment of alternative assets

(3) Other investment-related matters requiring deliberation/resolution by the Investment Committee, as determined by the Committee Chair

5. Chief Investment Officer

The Chief Investment Officer ("CIO") shall (i) be in charge of overall investment operations, (ii) report important investment-related matters to the BOD and the Steering Committee, and (iii) implement the Steering Committee’s resolutions.

The CIO’s key roles are as follows:

(1) To establish investment strategies and asset allocation plans

(2) To establish annual investment plans

(3) To manage portfolio rebalancing

(4) To regularly review the IPS and recommend revisions to the

Steering Committee
(5) To monitor investment performance
(6) To review and report other important investment-related issues to the Steering Committee

III. Investment Policies

1. Investment Objectives
The investment objective of the Corporation is to achieve stable and continuous returns within an appropriate level of risk to efficiently increase sovereign wealth.

2. Investment Principles
The Corporation shall (i) minimize risks from individual markets and assets through portfolio diversification; and (ii) exercise proper flexibility to actively seize investment opportunities while pursuing a sustainable increase in returns under prudent and responsible asset management policies.

3. Asset Classes
Asset classes may include securities, financial derivatives, foreign currencies, deposits, and real estate, as defined under the KIC Act.

4. Investment Guidelines
Asset management for each class shall be subject to investment guidelines provided by sponsors (“Investment Guidelines”). In the event that assets are re-entrusted, the Corporation shall provide separate EFM Investment Guidelines to EFMs in accordance with the

sponsor's investment policies and Investment Guidelines. The main points of the EFM Investment Guidelines address:
(1) Investment objectives
(2) Benchmarks
(3) Eligible asset classes
(4) Investment limits
(5) Performance evaluation standards and methods
(6) Reporting methods

5. Other Considerations

1) Derivatives
Derivatives such as swaps, options, futures, and forwards may be used as strategic investment instruments to achieve the Corporation's long-term investment objectives. However, the Corporation is prohibited from investing in derivatives unless such investment is explicitly permitted in the Investment Guidelines and in line with the Corporation's investment objectives.

2) Securities Lending
The Corporation may lend securities through a securities lending agent for the purpose of earning commission, provided that the Corporation properly manages the risks associated with such securities lending.

3) Shareholder rights
The Corporation shall act as a prudent manager when exercising shareholder rights, such as voting rights and shareholder engagement. Shareholder rights may be delegated to an external party, such as an

EFM or stewardship service provider, to the extent that this does not breach the fiduciary duty of the Corporation. The Corporation shall regularly monitor the exercising of shareholder rights and report such activities to the BOD and the Steering Committee.

4) Responsible Investment

In order to increase long-term and stable profits, the company may engage in responsible investing, which considers environmental, social, and governance factors in managing assets.

IV. Asset Allocation

1. Asset Allocation

Asset allocation is an important factor in determining the returns and risks of the Corporation from a long-term perspective, and determines what proportion of the Corporation's managed assets will be invested in various asset classes, and where appropriate, the various sub-asset classes of each based on the investment strategies of the Corporation and analyses of the investment environment, such as the world economy and financial markets. Asset allocation strategies shall be classified as (i) strategic asset allocation ("SAA") and (ii) tactical asset allocation ("TAA"). The Steering Committee shall deliberate and resolve matters related to the SAA created by the Corporation based on the Corporation's Investment Management Agreement ("IMA") with its sponsor. The Corporation may employ TAA to react to market situations in the short term within the range allowed by the SAA.

2. Portfolio Rebalancing

In the event of a deviation from a permissible target asset allocation range due to changes in asset value, cash flows, or sudden market movements, the CIO shall take necessary measures to rebalance portfolios in a timely and efficient manner, in accordance with the Investment Guidelines.

V. External Service Providers

1. External Fund Manager

The Corporation's EFM selection process shall be competitive and objective. The Corporation shall select EFMs with the required experience and capabilities to provide investment services that match the Corporation's investment objectives.

The Corporation shall report EFM selection results to the BOD and the Steering Committee.

The Corporation shall continuously monitor EFMs; and EFMs shall immediately notify the Corporation of the following events, which may affect EFM investment capability or portfolio value:

(1) Change in management

(2) Significant change in financial position

(3) Change in business direction

(4) Change in key officers

(5) Change in key individuals responsible for investment management

(6) Breach of laws or regulations

(7) Material error, omission or false statement in information provided to the Corporation

2. External Advisor

If necessary, the Corporation may use the services of one or more external advisors to perform the following:

(1) Investment Advisory: investment advice pertaining to the investment of entrusted assets
(2) Legal Advisory: legal advice pertaining to the investment of entrusted assets
(3) Tax Advisory: tax advice pertaining to the investment of entrusted assets
The selection of external advisors shall be transparent, objective, competitive, and based on due process; selection results shall be reported to the BOD and the Steering Committee. Criteria for the selection of external advisors shall include the following:
(1) Expertise and experience in advisory services
(2) Stability and continuity of the company
(3) Scope and quality of services
(4) Service fees

3. Custodian
The BOD shall appoint a custodian bank ("Custodian") for the sound and efficient management of entrusted assets, and which shall perform the settlement of trades, accounting and reporting. The Custodian shall be selected in a transparent, objective, and competitive manner, and based on due process; selection results shall be reported to the BOD and the Steering Committee. The Custodian selection criteria shall include the following:
(1) Excellence in custodial services
(2) Appropriate risk management system
(3) Custodial service experience
(4) Scope and quality of services
(5) Financial soundness

(6) Service fees, etc.
Should a sponsor designate a particular custodian, the Corporation shall appoint this custodian.

VI. Risk Management

1. Risk Management Principles and Procedures

The Corporation shall manage risk through preventive and systematic risk management to minimize undue risk and loss. The risk management policies of the Corporation shall be reviewed by the Risk Management Subcommittee and approved by the Steering Committee. In the event that a sponsor provides its own investment guidelines, the risk management team shall prepare separate risk management guidelines that will incorporate the sponsor's investment guidelines and procure the approval of the BOD. In accordance with risk management policies and guidelines, the risk management team shall set risk limits and check compliance with the limits.

2. Risk Management Reports

The risk management team shall measure and monitor actual investment details and risk. This team shall keep a record of relevant documents and report matters to the BOD and the Steering Committee in accordance with the methods and procedures specified in the Corporation's laws and regulations.

VII. Performance Evaluation

1. Performance Evaluation Principles and Methods

The objective of performance evaluations is to enhance the transparency and efficiency of the management of entrusted assets through performance measurement and portfolio attribution analysis.

The Corporation's investment performance shall initially be evaluated by a performance evaluation team independent from the Investment Division. If necessary, a performance evaluation committee including outside experts shall be formed to conduct a second round of evaluations. Evaluation results shall be reported to the BOD and the Steering Committee according to methods and procedures specified in the Corporation's laws and regulations.

The key principles of performance evaluations are as follows:
(1) Establishment of accurate and consistent evaluation standards
(2) Establishment of rational and fair performance evaluation processes
(3) Measurement and evaluation of risk-adjusted returns

Individual portfolio performance shall be measured mainly by excess returns against the relevant benchmark and risk-adjusted returns. The performance evaluation shall be conducted as follows:
(1) Investment return and risk analysis of portfolio
(2) Comparative analysis based on the benchmark
(3) Relative evaluation among a peer group, if such a peer group exists

2. Performance Monitoring and Evaluation
Periodic performance monitoring and evaluation shall be performed as follows:
(1) Monthly: review of returns of individual and overall portfolios
(2) Quarterly: review of performance and financial market trends
(3) Annual: comprehensive review of all individual portfolios, the

overall portfolio, and the performance of all managers

3. Performance Reports

According to the methods, frequency, and procedures specified in relevant laws and rules, the team in charge of performance evaluations shall prepare a performance evaluation and analysis report, and report it to the BOD and the Steering Committee.

VIII. Compliance

The Corporation shall prescribe fundamental procedures and standards (hereinafter referred to as the "internal control standards") to be observed by its officers and employees in the performance of duties, and shall have a Compliance Officer ensure compliance with these standards, in order to comply with the KIC Act and related laws and regulations, to manage assets in a sound manner and to protect sponsors.

The internal control standards shall include the following:

(1) Division of duties and organizational structure

(2) Guidelines for the management of risks that occur in the course of entrusted asset management and daily operation

(3) Procedures that must be followed by officers and employees when performing duties

(4) Formation of a system that ensures the effective dissemination of information needed in management decision-making processes

(5) Procedures and methods to confirm that officers and employees are in compliance with internal control standards and to deal with violations of these standards

(6) Procedures and standards to ensure that officers and employees report transaction details for investment securities, derivatives, etc. and to prevent unfair trade practices
(7) Procedures related to the establishment or modification of internal control standards