



Status of the National Pension Service's Stewardship Activities and Recommendations for a Climate Stewardship Code



Solutions for Our Climate(SFOC) is an independent policy research and advocacy group that aims to make emissions trajectories across Asia compatible with the Paris Agreement 1.5°C warming target.

Published July 2026

Authors Yeonju Jang | Lead, Investment Policy, Solutions for Our Climate

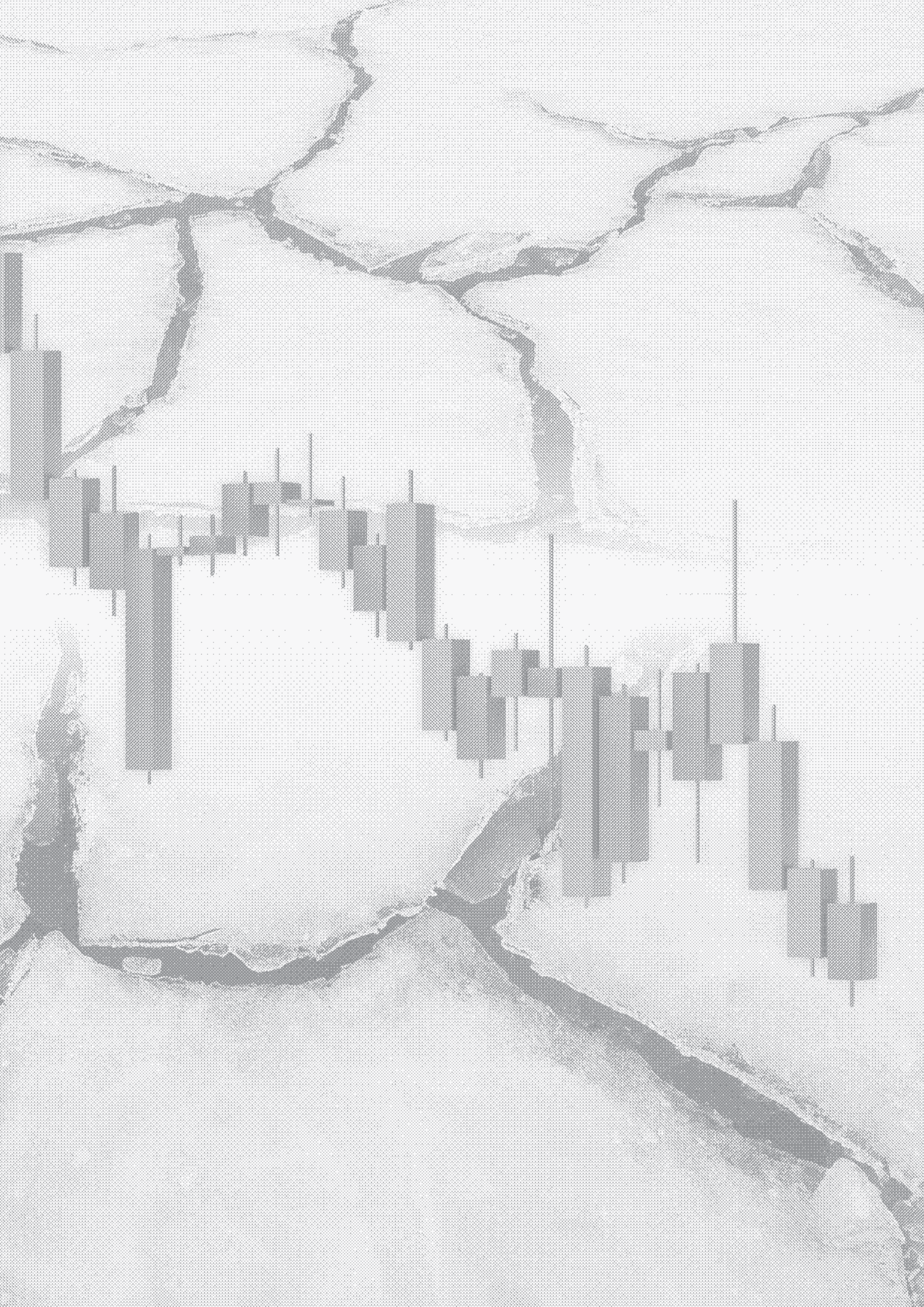
Contributor Jong-hwa Noh | Policy Committee Member, Solidarity for Economic Reform

Design Nature Rhythm

Translator's note

This is an English translation of the original Korean report. The English names of NPS committees, internal bodies, and internal documents (e.g., National Pension Fund Management Committee, Special Committee on Responsible Investment & Governance, Guidelines on Stewardship Activities) are working translations rather than confirmed official NPS nomenclature. Figures are reproduced from the original document, and the translated captions are provided above each figure.

**Status of the National Pension
Service's Stewardship Activities
and Recommendations for
a Climate Stewardship Code**



Contents

Executive Summary	4
--------------------------	----------

Introduction	6
---------------------	----------

Part I. Current Status of the NPS's Stewardship Activities	8
1. Statutory Definition and the Framework of Related Guidelines	8
2. Status of Responsible Investment	9
3. Status of Engagement	13
4. Status of Bonds and Alternative Investments	19
5. Status of Voting	22

Part II. Recommendations for Effective Implementation of a Climate Stewardship Code	26
1. Improving the Responsible-Investment Strategy	26
2. Strengthening the Execution of Engagement	30
3. Strengthening Disclosure of Climate Information and Stewardship-Code Implementation	34
4. Improving Governance	36

Executive Summary

The climate crisis has become the single greatest risk factor for financial institutions, for the National Pension Service (NPS), which bears responsibility for the public's retirement assets, responding to the climate crisis is directly tied to the substantive implementation of its stewardship activities. This report reviews the status of the NPS's stewardship across responsible investment, engagement, alternative investment, and the exercise of voting rights, and proposes institutional reforms for the effective implementation of a climate stewardship code.

Assessment of the Current Status

Ⓢ Limitations of the ESG integration strategy

The NPS declares 100% responsible investment in its equity portfolio. However, an ESG integration strategy based solely on ESG ratings does not produce an investment portfolio meaningfully distinguishable from market-capitalization rankings.

Ⓢ Formalistic engagement and inadequate climate response

The average number of dialogues per company is only 1.88, and over the nine years since the Stewardship Code was adopted, there have been only 8 public engagements and 2 shareholder proposals. Climate-related engagement is declining in both the number of target companies and the number of dialogues, and active measures such as public engagement or shareholder proposals on climate issues are entirely absent.

Ⓢ Responsible-investment gap in bonds and alternative investments

In bonds, responsible investment has not been properly implemented, while alternative investments are effectively excluded from the scope of responsible investment under the law, resulting in a substantial gap covering roughly 15% of total fund assets.

Key Developments at the 2026 Regular AGMs

Ⓢ Positive steps

The threshold for advanced disclosure of voting decisions widened from 10% to 5% shareholding ratio. Among the 268 companies that tabled treasury-stock holding/disposal plans, the NPS cast against votes at a substantial number of companies—including SK Hynix, Hyundai Motor, and KT—whose stated acquisition purpose was inconsistent with the plan. The NPS also took the unusual, pre-emptive step of publicly announcing, through an official press release, its opposition to charter amendments aimed at weakening board independence.

② A limitation — opposition to LG Chem's advisory shareholder proposal right

The NPS voted against the creation of an advisory shareholder proposal right at LG Chem—proposed by a foreign institutional investor—citing a "possible restriction on board authority." This stands in contrast to the 65 of the 66 institutional investors that disclosed their votes—all except the NPS—voting in favor, including 8 major global pension funds such as NBIM, CalPERS, and CalSTRS. Because an advisory proposal does not bind the board even if it passes, this cannot be regarded as a valid ground for opposition, and the case illustrates that the NPS remains passive in ESG engagement.

Four Recommendations for an Effective Climate Stewardship Code

① Apply responsible-investment strategies tailored to each asset type

For equities, active engagement focused on sector-specific climate risk should be central; for bonds and alternative investments, exclusion strategies targeting high-emitting businesses should be applied intensively. The current coal phase-out strategy (a 50%-of-revenue threshold, with domestic assets covered only from 2030) is excessively lax relative to international standards and requires review. The NPS should also establish a dedicated climate action plan and undertake impact investment, as CalPERS and NBIM have done.

② Strengthen the execution of engagement

Each engagement stage should be limited to at most six months, and the Guidelines should provide a basis for the Special Committee on Responsible Investment & Governance to decide directly on public engagement or shareholder proposals according to the urgency of the issue. The introduction of advisory shareholder proposal rights and "Say on Climate" should be pursued as a core campaign aimed at climate-exposed companies, and stewardship-code implementation should be made a key criterion in selecting external managers.

③ Strengthen climate disclosure and stewardship reporting

The NPS sustainability report currently contains none of the core climate information—such as TCFD-based financed emissions and reduction targets. Drawing on the examples of CalPERS and CalSTRS, the NPS should regularly compile and disclose climate information on its managed assets, and should make its stewardship report more substantive by including the improvements made by companies released from focus lists and the engagement records of external managers.

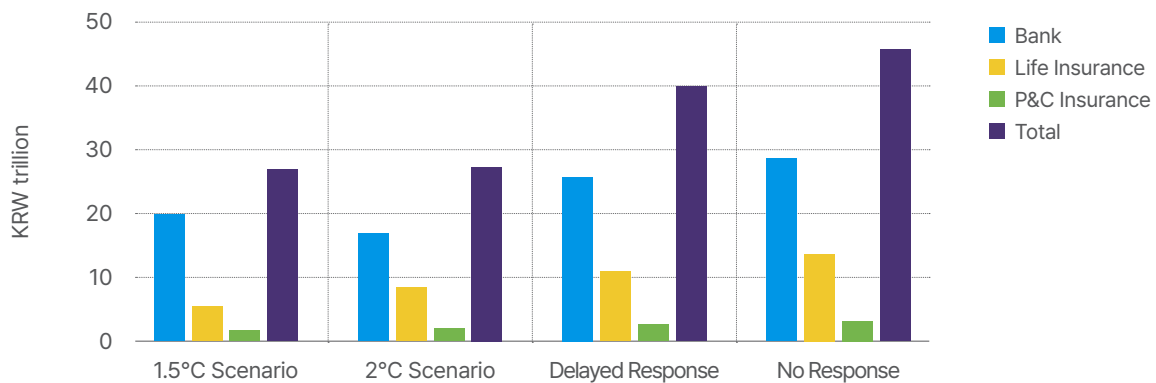
④ Improve governance and strengthen the Committee's authority

The current structure, in which the Minister of Health and Welfare chairs the National Pension Fund Management Committee, makes it difficult to remain free from the influence of the incumbent government. The Special Committee on Responsible Investment & Governance should be empowered to decide not only the selection of engagement targets but also whether and how engagement is conducted, and the supporting staff and organization of the Stewardship Office should be strengthened.

Introduction

The climate crisis is acting as the single greatest risk factor for financial institutions. In March 2025, the Bank of Korea and the Financial Supervisory Service presented scenario analysis showing that, in the case of no action on the climate crisis, losses to banks and insurers would reach approximately KRW 45.7 trillion. In the case of delayed action losses would be KRW 39.9 trillion; on a pathway limiting warming to 2°C above pre-industrial levels, KRW 27.3 trillion; and on a 1.5°C pathway, KRW 26.9 trillion.¹ For financial institutions such as the NPS, responding to climate risk is not a matter of principle alone but an indispensable discussion aimed at minimizing risk and loss. **For the NPS, which is responsible for the public's retirement assets, responding to the climate crisis means substantively implementing its stewardship activities. It is no exaggeration to say that the foremost task of the NPS in the age of the climate crisis is the implementation of a "climate stewardship code."**

[Figure 1] Estimated losses due to climate-related financial risks



Estimated cumulative losses during the analysis period (2024–2100) /
Variation compared to the baseline scenario (cumulative losses under normal conditions)

Source: Bank of Korea

The NPS has established Responsible Investment Principles and Stewardship Principles and has prepared detailed Guidelines on Stewardship Activities (hereinafter the "Stewardship Code"). However, it is difficult to state that the NPS has substantively implemented its stewardship activities on ESG issues since it adopted the Stewardship Code in 2017. In particular, with respect to climate risk—which

1 Financial Supervisory Service & Bank of Korea (March 2025), Results of the Climate Stress Test, p. 15.

poses the greatest risk to pension assets—its stewardship activities can only be described as severely inadequate.

This report examines, specifically in terms of responsible investment and engagement, the status of the NPS's implementation of the Stewardship Code with respect to the climate crisis and related issues, and points out that this implementation remains highly insufficient. As reference points, it also reviews the principal features of the voting rights the NPS exercised at the 2026 regular AGMs—notably in connection with the recent amendments to the Commercial Act—and the status of alternative investments, which are currently excluded from responsible investment. On this basis, the report proposes the institutional reforms and strategic changes needed for the NPS to implement a climate stewardship code effectively.

Part I. Current Status of the NPS's Stewardship Activities

1. Statutory Definition and the Framework of Related Guidelines

The Stewardship Code is the principle that a fiduciary such as the NPS, in managing assets entrusted to it, must faithfully discharge its fiduciary duty and act—including in investment decision-making—with responsibility. No direct definition of stewardship activities is found in the National Pension Act. The Act does, however, specify that, in managing and operating the National Pension Fund, the NPS must act faithfully and in good faith so as to generate returns exceeding the market rate of return for each asset class (Article 102(3)); and it provides that, where it invests in securities (meaning equities and bonds) under Article 4 of the Financial Investment Services and Capital Markets Act (the “Capital Markets Act”), it “may take into account environmental, social, and governance factors related to the investment targets, with a view to increasing returns in a long-term and stable manner.” (Article 102(4)).

The above provisions, however, correspond to a definition of responsible investment rather than of stewardship activities. Article 17 of the National Pension Fund Management Guidelines (the “Fund Management Guidelines”) likewise provides, in its “responsible investment” article and identically to the National Pension Act provision above, that “where the Fund is managed by trading or lending securities, ESG factors related to the investment target may be considered for the purpose of long-term and stable return growth.” Nonetheless, it is reasonable to understand that responsible investment by a fiduciary such as the NPS itself constitutes stewardship activity. In other words, responsible investment—understood as consideration of the investee’s ESG factors—is the principal content of stewardship activities.

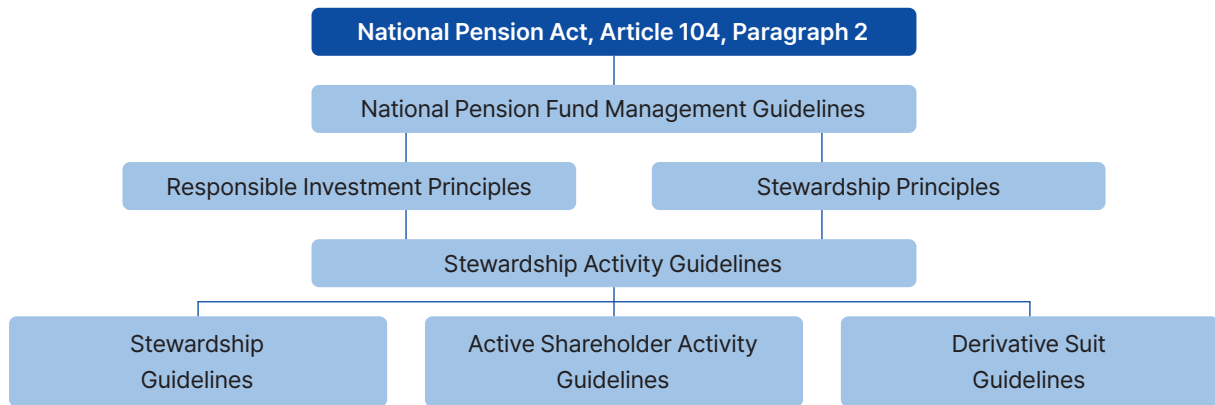
The specific content of stewardship activities can be ascertained through the principles and guidelines that the NPS has adopted and operates. First, the Fund Management Guidelines set out nine Responsible Investment Principles² and seven Stewardship Principles.³ Next, the Guidelines on Stewardship Activities (the “Stewardship Activity Guidelines”) set out the specific matters concerning

2 ① Pursuit of long-term, stable return growth; ② implementation of responsible investment under the Guidelines on Stewardship Activities; ③ application of responsible investment to equities and bonds; ④ consideration of non-financial (ESG) factors; ⑤ exercise of shareholder activities toward investee companies; ⑥ consideration of responsible investment when selecting and evaluating external managers; ⑦ encouragement of improved ESG disclosure; ⑧ enhancement of responsible-investment capacity and expertise; ⑨ periodic reporting of responsible-investment activities.

3 ① Establishment and disclosure of a stewardship policy; ② establishment and disclosure of a conflict-of-interest policy; ③ periodic monitoring of investee companies; ④ preparation of stewardship guidelines and conduct of shareholder activities; ⑤ establishment and disclosure of a voting policy and disclosure of voting records and rationales; ⑥ periodic reporting of stewardship activities; ⑦ enhancement of capacity and expertise for effective implementation of stewardship.

the implementation of these two sets of principles. In addition, the NPS has prepared Stewardship Guidelines, Active Shareholder Activity Guidelines, and Derivative Suit Guidelines.

[Figure 2] Framework of statutes and guidelines relating to stewardship activities



2. Status of Responsible Investment

1) Share of responsible investment by asset class

The NPS publishes annually the size of managed assets for which responsible investment is considered, by asset class. As of year-end 2024 and 2025, these figures are shown in Table 1 below. Compared with total managed assets in each asset class, the NPS effectively classifies domestic and overseas equities as 100% responsible investments. For bonds, roughly 28.6% of domestic bonds and 56.2% of overseas bonds are classified as assets for which responsible investment is considered. Domestic equities have been classified as 100% responsible investment since 2022, and overseas equities since 2023. A notable feature is that, for overseas bonds, the share of responsible investment is higher in externally managed (entrusted) assets than in directly managed assets.

[Table 1] NPS total managed assets and responsible investment by asset class

(KRW trillion, %)

Asset	Class	Type	2023		2024		2025	
			Amount	Share	Amount	Share	Amount	Share
Domestic equity	Resp. inv.	Direct	72.6	49.1%	69.0	49.4%	129.6	49.1%
		Entrusted	75.4	50.9%	70.8	50.7%	134.1	50.9%
		Subtotal	148	100.0%	139.8	100.0%	263.7	100.0%
	Total managed assets	148	-	139.7	-	263.7	-	
Domestic bond	Resp. inv.	Direct	34.7	10.6%	37.3	10.8%	32.9	10.8%
		Entrusted	48.3	14.8%	53.8	15.6%	54.4	17.8%
		Subtotal	83.0	25.5%	91.1	26%	87.3	28.6%
	Total managed assets	326	-	344.3	-	304.8	-	
Overseas equity	Resp. inv.	Direct	138.5	43.2%	208.1	48.3%	266.6	48.4%
		Entrusted	181.6	56.7%	221.5	51.4%	283.5	51.5%
		Subtotal	320.1	100.0%	429.6	100.0%	550.1	100.0%
	Total managed assets	320.3	-	431.0	-	550.5	-	
Overseas bond	Resp. inv.	Direct	-	-	10.6	12.0%	11.4	11.3%
		Entrusted	36.1	49.0%	37.8	42.8%	45.5	44.9%
		Subtotal	36.1	49.0%	48.4	55%	56.9	56.2%
	Total managed assets	73.7	-	88.3	-	101.3	-	

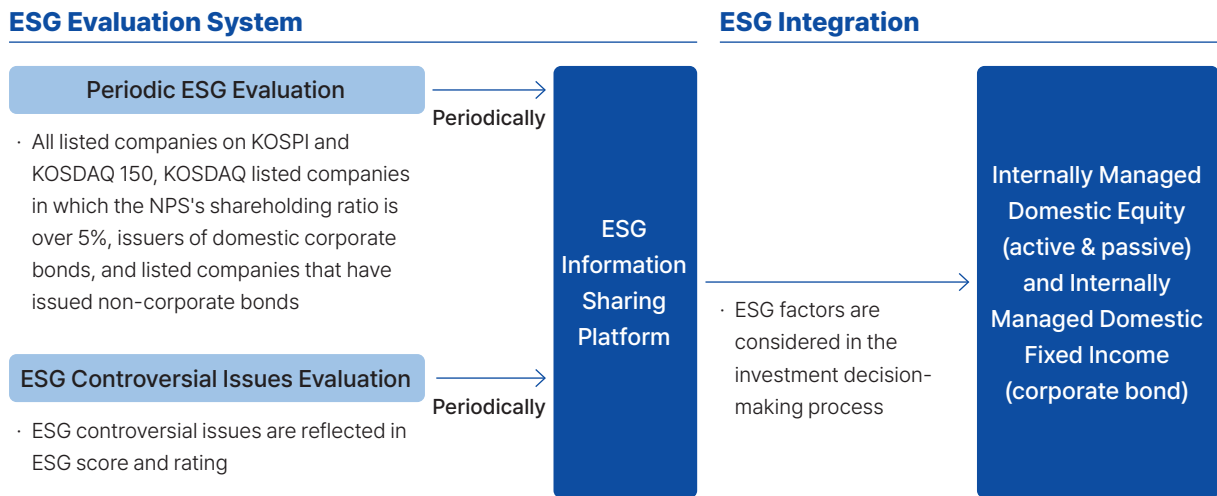
Source: NPS Stewardship Reports for each year; National Pension Service Investment Management portfolio status.

2) The gap between statistics and reality — limitations of the ESG integration strategy

According to Table 1, the NPS implements 100% responsible investment in its equity portfolio, both domestic and overseas. Yet, these statistics cannot be taken at face value. To assess that responsible investment in equities is being carried out effectively, investment decisions must reflect the aim of enhancing returns by improving ESG issues, and engagement must be conducted actively over the investment period. As discussed in detail below, the NPS does not actively implement responsible investment of this kind in its equity portfolio and even less so with respect to the climate crisis.

The principal reason for the gap between statistics and reality lies in the NPS's responsible-investment methodology. That methodology is an "ESG integration strategy" centered on a comprehensive ESG assessment of the investment target.

[Figure 3] ESG assessment and the ESG integration process for direct management



Source: 2024 Stewardship Activities Report

For domestic equities (KOSPI, KOSDAQ 150, and KOSDAQ issues in which the NPS holds 5% or more), for example, the NPS regularly (twice a year) evaluates the company's ESG indicators and derives an ESG rating by applying weights to each ESG item according to industry characteristics. It also separately reflects ESG-controversial issues—such as environmental pollution, industrial safety, and unfair affiliate support in the ESG score and rating. The core of the ESG integration strategy is that asset managers (fund managers) consider these ratings and scores when making investment decisions. Specifically, D-rated issues are in principle not over-weighted relative to the benchmark (BM), and for issues with low ESG ratings the review report must attach the manager's opinion and an ESG report.

However, such a strategy has limits in actively investing in high-ESG-rated companies or actively excluding low-rated ones. Moreover, according to the 2024 domestic-equity ESG assessment, only 5 of 973 companies were rated D.

[Table 2] 2024 domestic-equity ESG assessment results

AA	A	BB	B	C	D	Total
113 (11.6%)	202 (20.8%)	214 (22.0%)	295 (30.3%)	144 (14.8%)	5 (0.5%)	973 (100.0%)

Source: 2024 NPS Stewardship Activities Report.

An ESG integration strategy based on ESG ratings cannot adequately deliver the level of responsible investment that subscribers and stakeholders expect of the NPS. In fact, the composition of the top holdings in the NPS's domestic-equity portfolio—where 100% responsible investment is said to apply—is not greatly different from the KOSPI market-capitalization ranking. As Table 3 shows, over the past three years, the top 20 issues in the NPS's domestic-equity asset class cannot be said to differ meaningfully from the KOSPI ranking of leading issues.

[Table 3] Top 20 holdings in the NPS domestic-equity asset class

Rank	2022		2023		2024	
	Issue	Share	Issue	Share	Issue	Share
1	Samsung Electronics	20.0%	Samsung Electronics	23.3%	Samsung Electronics	16.7%
2	LG Energy Solution	4.4%	SK Hynix	5.6%	SK Hynix	6.9%
3	Samsung Biologics	3.2%	LG Energy Solution	3.8%	LG Energy Solution	3.7%
4	SK Hynix	3.2%	Samsung Biologics	2.5%	Samsung Biologics	3.4%
5	Samsung SDI	2.6%	NAVER	2.3%	Hyundai Motor	2.4%
6	LG Chem	2.6%	Hyundai Motor	2.1%	Kia	2.1%
7	NAVER	2.0%	Kia	2.0%	NAVER	2.0%
8	Hyundai Motor	1.8%	POSCO Holdings	1.8%	Celltrion	2.0%
9	POSCO Holdings	1.7%	Samsung SDI	1.7%	KB Financial	2.0%
10	Celltrion	1.4%	LG Chem	1.6%	Shinhan Financial	1.5%
11	Hyundai Mobis	1.4%	Celltrion	1.5%	Hyundai Mobis	1.4%
12	Kia	1.3%	Hyundai Mobis	1.3%	HD Hyundai Heavy Ind.	1.2%
13	KB Financial	1.3%	KB Financial	1.2%	POSCO Holdings	1.1%
14	Samsung C&T	1.2%	Samsung C&T	1.2%	Hana Financial	1.1%
15	Kakao	1.2%	Shinhan Financial	1.1%	Samsung C&T	1.1%
16	Shinhan Financial	1.2%	POSCO Future M	1.0%	LG Chem	1.1%
17	SK Innovation	1.0%	Kakao	0.9%	Samsung Life	1.0%
18	SK	0.9%	Samsung Electro-Mech.	0.8%	Meritz Financial	1.0%
19	Hana Financial	0.9%	LG Electronics	0.8%	Samsung SDI	0.9%
20	LG Electronics	0.9%	Samsung SDS	0.8%	Samsung F&M Insurance	0.9%

Source: National Pension Service Investment Management website, domestic-equity holdings by issue.

In short, the ESG-rating-based ESG integration strategy that the NPS currently employs is wholly insufficient as responsible investment for the age of climate crisis.

3. Status of Engagement

1) Engagement methodology and procedure

Scope

Through the Stewardship Activity Guidelines and detailed guidelines, the NPS sets out its engagement methodology and procedure in relatively specific terms.

The principal engagement targets (issues) are defined as “focus areas” and are enumerated as: ① establishment of dividend policy; ② appropriateness of the ceiling on director remuneration; ③ concern over impairment of corporate or shareholder value due to legal violations; ④ matters on which the NPS has continuously cast against votes; ⑤ **matters requiring management of climate-change-related risk**; ⑥ matters requiring management of industrial-safety risk; and ⑦ other matters that the chair of the National Pension Fund Management Committee (FMC) deems necessary. Item ⑦ is understood as a catch-all basis for designating focus areas.

The current approach is inappropriate, however, for issues that are not enumerated, the very possibility of engagement may be disputed. Item ⑦ is also difficult to regard as appropriate, in that it makes designation dependent on the chair of the National Pension Fund Management Committee—the Minister of Health and Welfare.

Article 19 of the Stewardship Activity Guidelines provides that the NPS may also conduct stewardship activities where, for listed shares it holds, an unexpected concern over impairment of corporate value or infringement of shareholder rights arises in connection with environmental, social, or governance matters. This is a basis for engagement beyond focus areas. Yet, the fact that engagement on broad ESG issues is permitted only where an unexpected concern over value impairment or rights infringement arises is itself a telling reflection of the NPS's continuing passivity toward engagement.

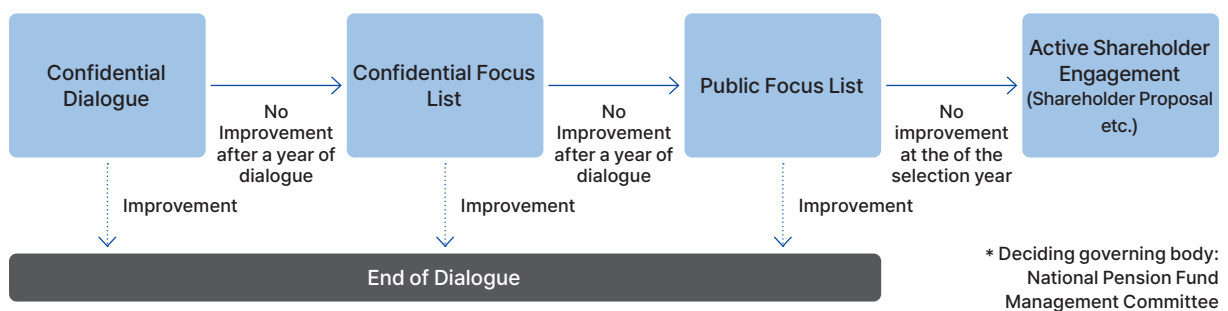
Procedure

Procedurally, engagement can be broadly divided into a confidential phase and a public phase. The NPS first conducts confidential dialogue with an investee company on a focus area for about a year and then assesses whether improvement has occurred; where improvement is judged insufficient, it lists the company to a confidential focus list and conducts a further year of confidential dialogue. If there is still no improvement after roughly two years of confidential engagement, the NPS designates the company as a public focus area company and discloses the fact of engagement; if no improvement

is judged to follow, it begins from next year to attempt active shareholder activity, such as shareholder proposals. Target selection and the assessment of improvement are handled by the Special Committee on Responsible Investment & Governance (the "Special Committee"), while decisions on active shareholder activity are handled by the National Pension Fund Management Committee (FMC).

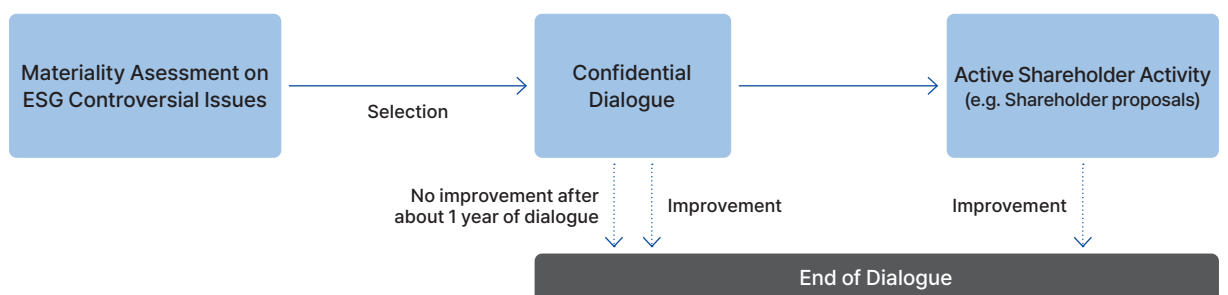
In summary, for the NPS to proceed all the way to active shareholder activity on a focus area, it must first conduct dialogue-level engagement with the target company for about three years.

[Figure 4] NPS shareholder-activity procedure for focus areas



That said, for matters involving an unexpected concern over impairment of corporate value due to an ESG issue, after about one year of private dialogue and a judgment (by the Special Committee) that no improvement has occurred, the National Pension Fund Management Committee may decide to attempt a shareholder proposal or similar measure.

[Figure 5] NPS shareholder-activity procedure for unexpected concern matters



* Deciding governing body: National Pension Fund Management Committee

* Body that selects target companies and judges whether improvement occurred: Special Committee on Responsible Investment & Governance

Status of dialogue with companies

Table 4 presents the engagement-related statistics from the stewardship-activity status that the NPS discloses around March each year. As of 2025, the NPS conducted dialogue on focus areas and unexpected concern matters with a total of 128 companies, 158 companies if other categories such as fact-finding and AGM agenda explanation are included. Among focus areas, the NPS held dialogue with the most companies on the remuneration ceiling (32), and conducted dialogues with 13 companies on climate risk, more than a 50% decrease from 29 in 2024. Meanwhile, the number of companies engaged on unexpected concern matters rose sharply from 13 in 2024 to 50 in 2025.

As of year-end 2024, the NPS held about 1,200 domestic equities, of which 265 were equities in which it held 5% or more. Under Article 14 of the Stewardship Activity Guidelines, the NPS may conduct confidential dialogue on focus areas with companies in which it holds 5% or more, or a holding weight of 1% or more of total domestic equities. Of the 265 issues in which the NPS held 5% or more in 2024, dialogue on focus areas was conducted with only 107 (about 40%).

[Table 4] Number of companies engaged on focus areas

(companies)

Category	2021	2022	2023	2024	2025
Dividend policy	30	38	33	7	10
Remuneration ceiling	12	13	15	33	32
Legal violation	26	17	9	6	6
Continuous opposition	11	11	13	9	3
Climate risk	-	-	New (2023)	29	13
Industrial safety	-	-	New (2023)	10	14
Unexpected concern	26	39	54	13	50
Subtotal	105	118	124	107	128
Other	53	21	48	40	30
Total	158	139	172	147	158

Source: NPS Stewardship Activities Reports for each year; National Pension Service Investment Management responsible-investment disclosures.

[Table 5] NPS domestic-equity holdings by ownership stake

(companies)

Category	2021	2022	2023	2024	2025
5% or more	263	281	268	265	Not disclosed
3%-5%	151	121	115	103	
1%-3%	223	224	258	252	
Under 1%	612	549	640	580	
Total	1,249	1,175	1,281	1,200	-

Source: National Pension Service Investment Management website, domestic-equity holdings by issue.

[Table 6] Estimated number of companies engaged vs. equities held at 5% or more, by year

Category	2021	2022	2023	2024	2025
Companies engaged	151	164	170	107	158
5% or more	263	281	268	265	Not disclosed
Ratio	57.4%	58.4%	63.4%	40.4%	-

Judged purely by the number of companies, one might assess that the NPS conducts dialogue with companies relatively actively. But what matters above all in effective engagement is conducting high-quality dialogue and other activities, and for this, the consistency, continuity, and assertiveness of engagement are crucial.

Looking at the number of dialogues by issue, unexpected concern matters were the most frequent in 2025 at 71, followed by the remuneration ceiling at 61. On a cumulative five-year basis, the order was unexpected concerns (268), remuneration ceiling (237), dividend policy (218), legal violations (160), and continuous opposition (116). For climate risk, newly added in 2023, a total of 52 dialogues were conducted over the two years 2024–2025; in 2025, there were 20 in total, a meaningful decrease in both the number of target companies and the number of dialogues compared with 2024.

[Table 7] Number of dialogues on focus areas and related issues

(count)

Category	2021	2022	2023	2024	2025	Cum.
Dividend policy	61	72	51	15	19	218
Remuneration ceiling	41	36	39	60	61	237
Legal violation	75	40	22	10	13	160

Continuous opposition	27	35	31	16	7	116
Climate risk	-	-	-	32	20	52
Industrial safety	-	-	-	18	23	41
Unexpected concern	38	61	73	25	71	268
Subtotal	242	244	216	176	214	1,092
Other	71	28	81	72	45	297
Total	313	272	297	248	259	1,389

Source: NPS Stewardship Activities Reports for each year; National Pension Service Investment Management responsible-investment disclosures.

Dividing the number of dialogues in Table 7 by the number of companies in Table 4 yields an estimate of the average number of dialogues per company. The cumulative five-year average for focus areas and unexpected concern matters is 1.88 dialogues per company, below even two. A steady downward trend from 2021 through 2025 is also evident. The effectiveness of engagement cannot be judged by quantity alone, but these figures suggest that dialogue with companies may have proceeded as a formality. The NPS conducts one year of dialogue at each stage before deciding whether to undertake more active engagement; with an average of just 1.88 dialogues, it is virtually impossible to ascertain shareholders' concerns and demands, the company's improvement efforts, and whether those efforts are actually implemented.

[Table 8] Average number of dialogues per company

(count)

Category	2021	2022	2023	2024	2025	Cum.
Dividend policy	2.03	1.89	1.55	2.14	1.90	1.85
Remuneration ceiling	3.42	2.77	2.60	1.82	1.91	2.26
Legal violation	2.88	2.35	2.44	1.67	2.17	2.50
Continuous opposition	2.45	3.18	2.38	1.78	2.33	2.47
Climate risk	-	-	-	1.10	1.54	1.24
Industrial safety	-	-	-	1.80	1.64	1.71
Unexpected concern	1.46	1.56	1.35	1.92	1.42	1.47
Subtotal	2.30	2.07	1.74	1.64	1.67	1.88
Other	1.34	1.33	1.69	1.80	1.50	1.55
Total	1.98	1.96	1.73	1.69	1.64	1.79

Climate risk engagement is virtually nonexistent beyond private dialogue

On the theme of climate risk, the NPS conducted 32 dialogues with 29 companies (average 1.1) in 2024 and 20 dialogues with 13 companies (1.54) in 2025. That the number of companies engaged fell by more than half after an average of 1.1 dialogues in 2024 would, on its face, imply that improvement had been confirmed at those companies. **But it is difficult to confirm a company's substantive improvement in climate risk based on an average of 1.1 dialogues.** Because there are no companies listed on the public focus list for climate risk, the specific companies the NPS engaged in cannot be identified, however, there is little to suggest that the climate response of major domestic listed companies has improved.

In these circumstances, the fact that the number of companies engaged on climate risk has instead fallen by more than half can only be read as the NPS conducting engagement passively on climate issues. The concern that such engagement is being carried out in a largely formalistic manner is difficult to dispel.

Apart from dialogue on climate risk as a focus area, there is no confirmed instance of the NPS conducting any climate-related engagement with investee companies. Since the prevailing interpretation in Korea is that shareholder proposals are permitted only on matters subject to AGM approval under statute or the company charter, it is in any case not easy for an institutional investor such as the NPS to make a direct climate-related shareholder proposal—even in advisory form (e.g., disclosure of a company's greenhouse-gas emissions and reduction targets, or climate-risk scenario analysis and report disclosure).⁴ Of course, a shareholder proposal that requires a company, via its charter, to implement a specified matter is possible even now; **but the NPS has no record of directly attempting a climate-related shareholder proposal.**

Status of public engagement

The most assertive form of the NPS engagement is public engagement and shareholder proposals. Since the NPS adopted the Stewardship Code, the companies subject to "public" engagement are understood to be the eight below: three on dividend policy, one on the remuneration ceiling, one on legal violation, and one on an unexpected concern (related to an unlawful act). Of these, the

4 At the 2026 regular AGM season, an activist fund made an advisory shareholder proposal urging the board to disclose executive remuneration reports; when the company refused to table it, the proposal was ultimately placed on the agenda through a "recommendation of settlement" in the injunction case seeking to compel tabling. While this cannot be regarded as a final court ruling on the merits, it is a meaningful case confirming that advisory shareholder proposals are possible in Korea. Align Partners Asset Management, press release of 26 March 2026, "Align succeeds in electing both director nominees at the Gabia AGM... first advisory shareholder proposal tabled by court decision also passes."

two companies that went as far as a shareholder proposal each attempted a charter amendment—establishing director-qualification requirements (Hanjin KAL) and establishing a dividend-policy review/ advisory committee (Namyang Dairy)—both of which were defeated.

[Table 9] History of NPS public engagement

Year	Company	Focus area	Note
2018	Korean Air / Hanjin KAL	Unexpected concern	2019 shareholder proposal (defeated)
2018	Namyang Dairy	Dividend policy	2019 shareholder proposal (defeated)
2018	Hyundai Green Food	Dividend policy	Released in 2019
2022	Namsun Aluminum	Dividend policy	Released in 2025 (estimated)
2023	KCC Glass	Remuneration ceiling	Released March 2025
2025	HiteJinro	Legal violation	Currently designated
2026	Hyosung TNC	Remuneration ceiling	Currently designated

Currently, HiteJinro (legal-violation issues related to unfair support of affiliates and unfair profit provision to related parties) and Hyosung TNC (remuneration ceiling) are designated for public engagement. Since climate risk was newly added as a focus area in 2023, in terms of timing, a company listed on the public focus list could have emerged among the companies engaged in confidential dialogue in 2024. Yet, not a single company has been designated on the public focus list on climate risk.

Nearly nine years have passed since the NPS adopted its Stewardship Code. The fact that the NPS has engaged in public engagement with only about eight companies and submitted shareholder proposals on only two occasions suggests that even in quantitative terms, its engagement activities have been very limited.

4. Status of Bonds and Alternative Investments

1) Alternative investment, size, share, and principal targets

The NPS broadly classifies managed assets into equities, bonds, and alternative investment. Alternative investment refers to investment assets other than the securities equities and bonds, comprising mainly private equity, real estate, and infrastructure such as energy. For private equity,

while a high share is presumably ultimately invested in equities and bonds through the private funds in which the NPS invests, the NPS does not directly exercise rights such as voting because the fund is the investing party. The NPS's alternative-investment holdings have risen steadily since 2000, reaching approximately KRW 234.4 trillion (14.6% of total assets) as of the end of February 2026.

[Table 10] NPS alternative-investment size, past five years

(KRW billion, %)

Category	2022	2023	2024	2025	2026
Investment size	146,232	164,204	206,884	232,576	234,386
Share of AUM	16.4%	15.9%	17.1%	16.0%	14.6%

Source: NPS website, fund disclosures.

[Table 11] Principal alternative-investment targets

(KRW billion)

Category	2022	2023	2024	2025	2026	
Private equity	61,375	72,370	94,512	105,349	105,191	44.9%
Real estate	46,396	48,246	58,249	65,855	67,023	28.6%
Infrastructure	34,897	44,136	41,470	49,740	62,175	26.5%
Total	142,668	164,752	194,231	220,944	234,389	100.0%

Source: NPS website, fund disclosures.

By category, as of the end of February 2026 private equity holds the largest share at about KRW 105.2 trillion (44.9%), followed by real estate at about KRW 67.0 trillion (28.6%) and infrastructure at about KRW 62.2 trillion (26.5%). The shares by category have not changed greatly over the past five years, but managed-asset size has grown markedly in all three.

2) Infrastructure investment by strategy

Disclosed information for alternative investment is limited. Only the investment method (whether direct project form or fund form) and the risk/return level (Core: stable, conservative investment / Opportunistic: aggressive investment such as new development or distressed-asset acquisition) are disclosed; and the names of projects or funds are mostly withheld on the grounds of manager non-consent. At least for infrastructure, domestic investment is disclosed on a project-by-project basis under the "by-strategy" investment status. From a sustainability or responsible-investment

perspective, there is a need for both domestic and overseas infrastructure projects to be disclosed alongside business type and risk/return ratio.

Domestically, BTO (Build-Transfer-Operate) projects account for the largest investment, while in recent years the share invested in the power-generation area has risen the most, and a digital sector has been newly added. Transport, power generation, resources/energy, and digital are all areas closely linked to carbon emissions and climate-risk response. ESG factors should therefore be reflected in investment decisions, and disclosure should be expanded, particularly from the standpoint of energy transition and carbon emissions.

[Table 12] Domestic infrastructure investment by strategy

(KRW billion)

Category		2020	2021	2022	2023	2024
BTO	Project	4,510.5	4,431.8	1,010.9	3,614.8	3,283.2
	Fund	148.5	148.3	29.7	137.8	99.3
BTL	Project	1,186.3	1,096.8	4,289.8	905.4	812.0
	Fund	33.9	31.6	138.9	27.7	25.8
Power generation	Project	373.0	363.9	363.9	667.4	714.5
	Fund	562.4	499.1	506.4	500.2	475.9
Transport/terminal	Project	318.1	216.8	782.1	263.5	-
Resources/energy	Project	810.2	807.8	193.0	448.8	372.6
Digital	Project	-	-	-	248.0	248.9
Total	Project	7,198.1	6,917.0	6,639.7	6,147.9	5,431.2
	Fund	744.8	679.0	675.0	665.7	601.0

Overseas, investment is made in relatively stable targets at the Core+ level or above. Given the NPS's nature, this can be considered to be a reasonable portfolio, but at present, no meaningful information is provided from a responsible-investment perspective.

[Table 13] Overseas infrastructure investment by strategy

(KRW billion)

Category		2020	2021	2022	2023	2024
Core	Project	3,942.1	4,397.0	4,880.1	5,377.2	5,137.0
	Fund	1,911.1	2,518.8	5,739.8	7,402.9	6,990.4
Core+	Project	2,824.2	3,128.4	3,658.0	5,505.8	5,045.2
	Fund	4,940.3	5,888.6	7,946.4	12,561.6	11,152.6

Category		2020	2021	2022	2023	2024
Value-added	Project	-	968.9	1,347.0	1,285.0	1,212.1
	Fund	838.5	2,583.6	3,118.3	4,452.7	5,145.6
Opportunistic	Project	415.8	-	-	0.0	-
	Fund	2,137.0	861.5	893.1	734.7	754.8
Total	Project	7,182.1	8,494.2	9,885.1	12,168.0	11,394.3
	Fund	9,826.9	11,852.4	17,697.6	25,151.9	24,043.4

3) The responsible-investment gap in bonds and alternatives

The National Pension Act provides that ESG factors may be considered when investing in securities (equities and bonds) (Article 102(4)), and Article 6(1) of the Stewardship Activity Guidelines likewise limits the scope of responsible investment to "equities and bonds." Accordingly, the alternative investment area is effectively excluded from the scope of responsible investment, and related information is not sufficiently disclosed. Alternative investment cannot be free from stewardship responsibility merely because it is "alternative," and there is no reasonable ground to exclude it from responsible investment. Given that it amounts to roughly KRW 234 trillion, around 15% of total fund assets—the responsible-investment gap in this area is by no means small.

Even for bonds, although some ESG assessments are conducted, only about 28.6% of domestic bonds are classified as responsible investment, so the scope of application is limited. Moreover, in principle, bondholders have a difficult time engaging with issuing companies on topics other than such as principal and interest repayment, ascertaining the status and applying exclusion strategies are all the more important.

5. Status of Voting

The principal features of the NPS's exercise of voting rights at the most recent regular AGMs (2026) are as follows.

① Expanded scope of advance disclosure of voting

The NPS lowered the ownership threshold for advance disclosure of voting decisions, widening the previous scope of "companies in which it holds 10% or more, or a holding weight of 1% or more, or companies for which the Special Committee has decided on voting," to "5% or more" effective from

the 2026 regular AGMs. An institutional investor holding 5% or more is expected to vote based on deeper analysis and review than other shareholders, and the direction of its vote can be a meaningful reference for other shareholders as well. This expansion of advance disclosure is therefore to be assessed positively. It also serves to convey information on the exercise of shareholder rights to subscribers more promptly, as a fiduciary.

② Active against votes on treasury-stock holding/disposal plans

In March 2026, the National Assembly passed an amendment to the Commercial Act centered on the "principle of cancellation of treasury shares and disposal (holding) only on grounds exceptionally permitted by statute." Accordingly, when a company wishes to hold or dispose of treasury shares on a statutorily permitted ground,⁵ it must obtain AGM approval of a "treasury stock holding/disposal plan," and at the 2026 regular AGMs, 268 companies tabled such a plan.

The NPS cast against votes where the acquisition purpose a company had disclosed at the time of acquisition was inconsistent with the treasury stock holding/disposal plan. It is confirmed to have opposed the plans of a substantial number of companies, including SK Hynix, Hyundai Motor, E-Mart, Mirae Asset Securities, KT, HYBE, Doosan, Daishin Securities, and Hyundai Marine & Fire Insurance. This can be assessed positively as a consistent standard applied in keeping with the purpose of the amended Commercial Act.⁶ That said, there was no case in which such an agenda item was defeated. Although the NPS is a major shareholder, it holds no controlling stake at any company, so it was again confirmed that defeating a company's agenda item by against votes alone is very difficult.

③ Active expression of position on Commercial Act amendments concerning boards

Recent amendments to the Commercial Act introduced mandatory cumulative voting at large listed companies, an expansion of separately elected audit committee members (to two), and a renaming of outside directors as "independent directors." In response, major listed companies attempted to amend their charters to set directors' terms flexibly, to lengthen terms to the statutory maximum (three years), or to reduce the number of board members. Against this backdrop, on 12 March 2026, the NPS made the unusual move of formalizing, via a press release, its voting direction on key cases.⁷ This was

5 Treasury shares already held were effectively granted a six-month grace period through the supplementary provisions. Accordingly, treasury shares held before the amendment took effect (i.e., before March 2026) may be approved through a holding/disposal plan up to the March 2027 regular AGM.

6 That said, because there were no restrictions whatsoever on the disposal of treasury shares before the amended Commercial Act, disclosures made at the time of acquisition had to a considerable extent been treated as a formality.

7 NPS press release of 12 March 2026, "NPS voting to actively reflect the purpose of the Commercial Act amendment."

the first time the NPS had officially announced such voting directions in the form of a press release, outside the Stewardship Activity Guidelines.

[Table 14] Advance announcement of key NPS voting cases for the 2026 regular AGMs

Case 1	For agenda items that newly establish or reduce, via the charter, an upper limit on the number of directors: in principle OPPOSE , considering that they weaken the possibility of general shareholders' shareholder proposals and requests for cumulative voting, whereas an appropriately sized board can be operated without amending the charter.
Case 2	For agenda items that newly establish or reduce, via the charter, the number of auditors: in principle OPPOSE as well, out of concern that they weaken the possibility of general shareholders' shareholder proposals.
Case 3	For agenda items that make directors' terms flexible (e.g., "directors' terms shall be three years" → "within three years"): OPPOSE absent a legitimate reason, considering the concern that this may in effect function as a staggered-board scheme.
Case 4	For agenda items that exclude electronic AGMs via the charter: in principle OPPOSE , considering that the board would then be unable to hold an electronic AGM, lowering general shareholders' ease of participation in the AGM.

The NPS exercised its voting rights in accordance with the above cases. However, among large listed companies with assets of KRW 2 trillion or more, the only cases in which a charter amendment matching the above was defeated were Hyosung Heavy Industries (board-size reduction, new qualification requirements, etc.) and Hankook & Company (board-size reduction).

🔗 Opposition to LG Chem's introduction of an advisory shareholder proposal right

An advisory shareholder proposal is a proposal submitted by a shareholder to the annual general meeting recommending that the Board of Directors act on a particular matter of the company; even if passed, it does not legally bind the Board. The establishment of the right to submit advisory shareholder proposals refers to the explicit inclusion in the articles of incorporation of the right to submit such proposals. Until now, the NPS had cast for votes whenever other shareholders proposed the creation of an advisory shareholder proposal right (HDC Hyundai Development in 2022; DB HiTek, YoulChon Chemical, and SoluM in 2025). At the 2026 regular AGMs, however, the NPS voted against the creation of an advisory shareholder proposal right proposed by a foreign institutional investor at LG Chem, citing a "possible restriction on board authority." That shareholder proposal received about 30.3% of the votes present (votes cast) and was defeated. The NPS's opposition to this proposal stands in stark contrast to the trend among global institutional investors. Of the 66 institutional investors in LG Chem that disclosed their voting records, all 65—excluding the NPS—voted in favor of this resolution. These include the Norwegian Government Pension Fund (NBIM), the California Public

Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS), the Florida Retirement System (FRS), and five New York City pension funds, the University Pension Plan, the British Columbia Investment Management Corporation (BCI), and the Permodalan Nasional Berhad (PNB).

An advisory shareholder proposal does not bind the board even if passed at the AGM, so "restriction of board authority" cannot be regarded as a valid ground for opposition. The creation of an advisory shareholder proposal right is not a matter of scrutinizing the content of an individual, specific proposal; it is the most basic question of guaranteeing the right to make shareholder proposals on key ESG issues that may affect shareholder value. Given that the NPS, as a fiduciary, has a duty to actively conduct shareholder engagement from a responsible-investment standpoint, it should as a matter of course have supported the introduction of an advisory shareholder proposal right. This against vote is a case revealing that the NPS remains passive in engagement on ESG issues.

Part II. Recommendations for Effective Implementation of a Climate Stewardship Code

Taking the above status together, the NPS's stewardship activities suffer from four core problems: the lack of substantive effect in its responsible-investment methodology, the formalism of its engagement, the inadequacy of its climate-risk response, and the responsible-investment gap in bonds and alternative investments. The following section sets out specific recommendations to address these.

For the NPS's climate stewardship code to be implemented effectively, responsible-investment strategies suited to each asset type's nature must be applied. For equities, active engagement after investment is key; for bonds and alternatives, exclusion strategies and impact investment are more appropriate. In addition, procedures should be improved to enhance the execution of engagement, the institutional foundation—such as advisory shareholder proposal rights—should be expanded, and stewardship code implementation should be made an evaluation criterion across external management. Such changes in investment strategy and engagement can become effective only when accompanied by strengthened climate disclosure and improved governance.

1. Improving the Responsible-Investment Strategy

1) Equities: active engagement is key

For equities, ESG assessment should continue to be reflected in investment decisions as at present, but engagement after investment should become the core of responsible investment. For companies in which the NPS holds a stake above a certain threshold, key ESG issues should be selected by sector, and corresponding engagement must be conducted without fail.

In particular, for sectors highly exposed to climate risk or strongly requiring a low-carbon transition, the NPS should, through engagement, continuously demand the company's risk-reduction and adaptation plans and low-carbon transition targets, and should continuously monitor and evaluate the company's response and the degree of actual implementation. Rather than stopping at ESG-rating assessment for investment decisions, the NPS should move toward evaluating the company's response to and implementation of specific issues after investment. Furthermore, even in cases where monitoring and evaluation indicate improvement, dialogue should not be terminated; a regular dialogue channel should be maintained, and a positive assessment should be reflected in decisions on whether

to increase the investment. Based on continuous dialogue and monitoring/evaluation, the NPS should be able to decide swiftly and flexibly whether to pursue more active engagement.

[Table 15] Recommended engagement for effective responsible investment in equities

(Select key engagement issues by sector/company → climate risk)	
①	Urge the company's active climate-risk response through continuous dialogue
②	Monitor the climate-risk-response plan and implementation status, and conduct continuous dialogue based on it
③	Continuously check and evaluate whether improvements occur
④	Even where improvement is confirmed, do not terminate dialogue but maintain a regular dialogue channel
⑤	Where structural limits or deficiencies are confirmed, pursue improvement through a shareholder proposal

Conducting engagement at this level across the NPS's entire equity portfolio would require substantial human and material resources. Rather than simply focusing on expanding the number of engagement-target companies, the NPS should therefore select focus areas centered on sector-leading companies and those with relatively high climate-risk exposure and conduct engagement accordingly.

Meanwhile, for equities, an exclusion strategy is best removed from the toolkit of responsible investment or reserved as a last resort when no possibility of improvement remains. Excluding an investment eliminates the very opportunity to induce corporate change through engagement. Unless the NPS is an overwhelming controlling shareholder, even fully divesting an equity holding is unlikely to have a decisive effect on a particular sector's or company's capital raising, or to exert real pressure on the company through reputational risk. For example, in the case of Korea Electric Power Corporation (KEPCO), a key target of the coal phase-out strategy, the NPS's stake is merely 7.9% as of year-end 2025, whereas the Korean government and the Korea Development Bank hold approximately 51%; therefore, it is difficult to exercise substantial influence solely through the withdrawal of the NPS's stake. Instead, it is more effective to encourage climate action through continuous and active engagement activities.

2) Bonds and alternatives: intensive application of exclusion strategies

For assets other than equities, such as bonds, where engagement with investee companies is difficult, ESG assessment should be used as the primary responsible-investment method, while exclusion strategies targeting high-emitting businesses should be actively implemented.

Bonds, in principle, make it difficult for a creditor to engage with the issuing company, except for issues such as principal and interest repayment. Corporate bonds trade far less in volume and frequency than equities, and given the characteristics of Korea's capital market, where newly issued volumes are often underwritten, they bear a more direct relationship to capital raising for specific business purposes. **In this respect, exclusion strategies are a far more suitable responsible-investment method for bonds, and they are sufficiently effective from the standpoint of the NPS's own climate- and reputational-risk management.**

The alternative investment category, too, cannot be exempt from stewardship responsibility. Alternative investment, currently about KRW 234 trillion, roughly 15% of total fund assets, is effectively excluded from the scope of responsible investment under the law, but there is no reasonable basis to justify this. For private equity in particular, responsible investment can be implemented by reflecting external managers' stewardship-code implementation and assertiveness in engagement in investment decisions. Because the infrastructure category sees large-scale investment in fields closely related to carbon emissions and climate-risk response, such as transport, power generation, energy, digital, responsible investment could be more effective there than in any other asset class if investment decisions take low-carbon transition and climate-risk adaptation into account.

Meanwhile, in December 2024 the National Pension Fund Management Committee adopted a resolution on "Investment Strategy for the Energy Transition of Coal-Related Companies," deciding to conduct five years of confidential dialogue with companies whose three-year average share of revenue from coal mining and coal-fired power generation is 50% or more, and, where no improvement follows, to restrict investment in existing investment assets (equities and bonds), including externally managed assets. The date of application is 2025 for overseas assets and 2030 for domestic assets. However, this coal phase-out strategy, is inappropriate in nearly every dimension, scope, timing, and targets. The 50%-of-revenue threshold is excessively lax relative to internationally accepted standards (generally 30% or less), and the 2030 application date for domestic assets has already been criticized by many civil society groups and experts as inconsistent with the urgency of the climate response and with national greenhouse gas reduction strategy.

3) Establishing impact-oriented funds

Capital allocation is crucial to the energy transition and the reduction of climate risk. Exclusion from coal mining and power generation is itself part of capital allocation, but to induce a faster low-carbon transition, active investment in such areas—beyond exclusion—is needed. This is why sustainability-themed investment, which invests directly in sustainability-aligned sectors, and impact investment,

which invests directly in businesses that solve specific problems such as climate risk, are growing ever more important.

CalPERS (California Public Employees' Retirement System) announced a Climate Action Plan in 2023, formalizing a plan to invest USD 100 billion by 2030 in reducing and adapting to climate risk and in the energy transition. Given that CalPERS's total AUM is about USD 556.2 billion (as of July 2025), this can be assessed as a remarkable shift in investment strategy. CalPERS stated that, as part of implementing the Climate Action Plan, it had invested USD 10 billion in low-carbon transition areas by July 2024.⁸

[Figure 6] Principal targets of CalPERS's USD 100 billion Climate Action Plan

Mitigation	Adaptation	Transition
<p>Renewable Energy Solar, wind, hydro, and other renewable energy sources to replace fossil fuels</p>	<p>Water Resource Management Systems to manage droughts and floods and ensure stable water supply</p>	<p>Climate-Friendly Operations Alternative materials in cement production, energy efficiency and carbon capture at cement plants</p>
<p>Carbon Capture and Storage (CCS): Technology to capture and store CO₂ emissions</p>	<p>Agricultural Adaptation Technologies such as drought-resistant crops</p>	<p>Sustainable Fuel Development Sustainable aviation fuel produced from renewable feedstocks, electric or hydrogen-powered aircraft for short-haul routes</p>
<p>Waste Management Capturing methane from landfills, as well as reduction, recycling, and reuse</p>	<p>Disaster Risk Reduction Early warning systems and community preparedness</p>	<p>Renewable Energy Support Transition to wind, solar, and hydroelectric power, retrofitting fossil fuel power plants, exploring advanced nuclear power</p>

Source: CalPERS website

NBIM (Norges Bank Investment Management), which manages Norway's sovereign wealth fund GPF (Government Pension Fund Global), has likewise prepared responsible-investment guidance to invest up to 2% of its AUM in unlisted renewable-energy infrastructure.⁹ As of year-end 2025 NBIM had invested a total of NOK 91 billion (about USD 9.7 billion), equivalent to about 0.4% of total assets, in

8 CalPERS press release of 2 July 2024, "CalPERS Expands Climate Transition Efforts by Almost \$10 Billion."

9 In 2019 the Norwegian Ministry of Finance permitted NBIM to invest up to 2% of its assets under management in unlisted renewable energy infrastructure projects, and NBIM accordingly prepared related guidance.

unlisted renewable energy infrastructure projects,^{10 11} of which about 59.9% went to wind, 29.3% to grid, and 10.0% to solar. The annual rate of return is approximately 18.1%.

[Table 16] GPFG unlisted renewable-energy infrastructure investment share

Category	Wind	Grid	Solar	Other
Investment share	59.9%	29.3%	10.0%	0.8%

Source: GPFG 2025 Annual Report.

As a mega-fund ranked about fourth in the world by AUM, the NPS should practice a climate response befitting that standing. It should set up a separate pool of "climate response managed assets" focused on the energy transition and greenhouse-gas reduction and undertake impact investment. The most effective approach is to prepare and implement a dedicated "climate action plan" as CalPERS and NBIM have done.

2. Strengthening the Execution of Engagement

1) Improving engagement procedures

At present, the NPS can convert to public engagement only after conducting at least two years of confidential engagement. Even after conversion to public engagement, if no improvement follows, it begins active shareholder activity such as shareholder proposals only from the year after conversion. But this procedure has the limitation of being unable to reflect the urgency or gravity of an issue. It is also doubtful whether the current practice of terminating dialogue once a certain degree of room for improvement is judged to exist is appropriate.

First, each engagement stage should be shortened to at most six months. Because fixing the period uniformly is not always reasonable, the NPS should move away from the current practice of advancing to the next stage only when there is no room for improvement, and establish a basis in the Guidelines allowing the Special Committee to advance stages early at its discretion.

10 GPFG, 2025 Annual Report, p. 27.

11 Following its '2025 Climate Action Plan,' NBIM announced a 2030 Climate Action Plan. Under it, NBIM sets five strategic priorities: ▲ strengthening the link between investment objectives and climate response; ▲ strengthening engagement to urge investee companies to set net-zero and interim targets; ▲ strengthening climate disclosure and scenario analysis in line with global disclosure standards; ▲ setting standards and strengthening risk management for physical risk, adaptation, and resilience arising from the climate crisis; and ▲ using AI for climate-risk management.

Second, depending on the nature of the issue, the NPS should be able to proceed directly to public engagement or a shareholder proposal. For example, if an investee company seeks to retract a net-zero target it has already declared and to resume fossil-fuel development and investment, starting from private dialogue is likely to be ineffective. In such cases, a basis should be established in the Guidelines that allows the Special Committee to immediately undertake active public engagement, such as a shareholder proposal. Article 4 of the current Stewardship Activity Guidelines provides that stewardship activities may be implemented immediately for matters the National Pension Fund Management Committee (FMC) chair deems necessary or matters resolved by the FMC. However, under the current structure in which the Minister of Health and Welfare serves ex officio as FMC chair, this provision is difficult to invoke in practice, and requires FMC deliberation even for public engagement or shareholder proposals inevitably impairs timeliness and efficiency. This decision-making authority should also be guaranteed to the Special Committee, which is constituted solely for stewardship activities.

Third, a monitoring period of at least one year should be set between designation under a focus area and dismissal. Even if a company promises to prepare or implement a climate-risk-response plan, actual implementation cannot be guaranteed immediately. For instance, the NPS continuously cast against votes on KCC Glass's remuneration-ceiling agenda over excessive remuneration paid to a controlling-shareholder executive (Chairman Chung Mong-ik), and after confidential dialogue, listed the company on the public focus list. When KCC Glass subsequently established a compensation committee and reviewed and approved a compensation policy, the NPS released it from the public focus list and voted for the remuneration ceiling agenda at the March 2025 regular AGM. Yet, the remuneration concentrated on the controlling shareholder executive had not improved greatly from the previous year. Monitoring-level engagement should continue until the results of engagement are actually implemented and settled, and to this end, regular dialogue with the company also needs to continue.

2) Shareholder proposals to introduce advisory shareholder proposal rights and "Say on Climate"

As noted above, by casting a vote against the creation of an advisory shareholder proposal right at LG Chem's 2026 regular AGM, the NPS revealed that it remains passive in ESG engagement.

If, alongside advisory shareholder proposals, a "Say on Climate"—under which a company itself discloses its greenhouse gas emissions, reduction targets, and climate-risk-response strategy and policy at the AGM and gathers shareholder views—were introduced, the NPS's implementation of a climate stewardship code would become far easier, and its effects would be amplified. Both

mechanisms are already well established in countries with active shareholder engagement, such as the United States, and their expected effects are well-demonstrated.

Both mechanisms could be introduced through legislation, but a company may also create them directly via its charter. The NPS needs to pursue the introduction of both mechanisms as a core campaign aimed at sectors and companies for which climate risk is a key issue. Because the purpose is to secure the basic rights and procedures of engagement—*independent of any individual company's specific issues*—prior confidential dialogue with each company need not always precede it. It is entirely feasible to first request voluntary adoption by major companies and then make shareholder proposals all at once to those that do not adopt them.

3) Strengthening engagement through external management

Because the NPS uses external management across all assets—equities, bonds, and alternatives—strengthening engagement through external managers is a key means of substantively expanding stewardship-code implementation. Given its enormous AUM, it is practically difficult for the NPS to conduct high-level engagement on its own at every company, even those in which it holds a substantial stake. The NPS should therefore make stewardship-code implementation, assertiveness in engagement, and responsiveness to investee companies' ESG issues key evaluation criteria when selecting external managers, and should enhance the effectiveness of engagement by actively exchanging views with external managers during the management process as well.

At present, however, the NPS awards only minor bonus points (1–2 points) with little real influence as to whether external managers have adopted the Stewardship Code, and nobody separately checks whether they implement it. Fortunately, discussions on evaluating stewardship-code implementation have recently progressed in relatively concrete terms at the government and National Assembly levels.¹²

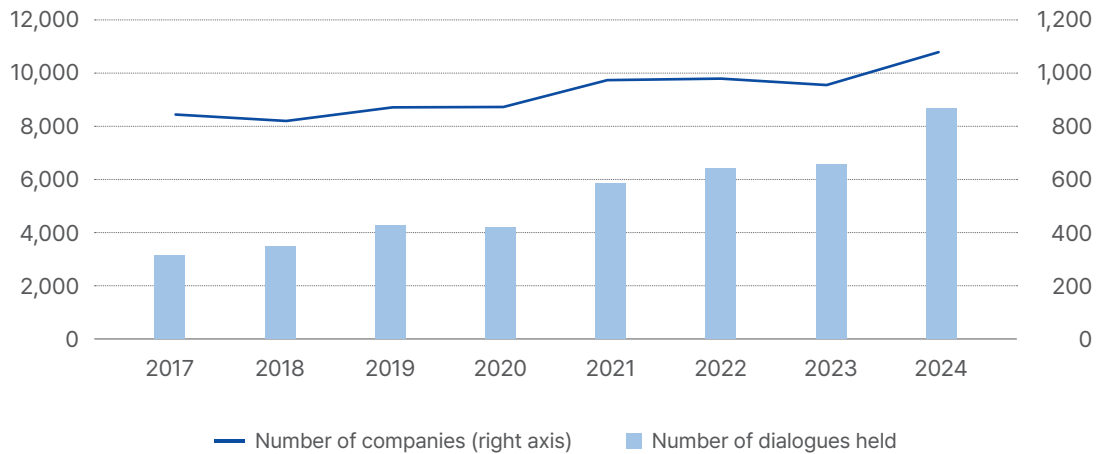
The case of Japan's public pension fund, GPIF (Government Pension Investment Fund), is well worth referencing. GPIF actively invests in engagement funds that emphasize "constructive dialogue" with management, thereby activating engagement through indirect investment.¹³ According to GPIF, the number of dialogues with companies more than tripled in 2024, compared with 2017, and as of 2024

12 Financial Services Commission press release of 29 December 2025, "Promotion of measures to substantively strengthen the Stewardship Code."

13 Under the applicable regulations, GPIF cannot engage in in-house investing of equity or directly exercise voting rights; instead, it conducts equity investment, voting, and engagement indirectly through external institutional investors.

the share of managed assets for which dialogue with companies took place reached about 96%.¹⁴ Because GPIF in principle does not invest directly in domestic equities, this is entirely the result of entrusted investment.

[Figure 7] GPIF dialogues with companies by year

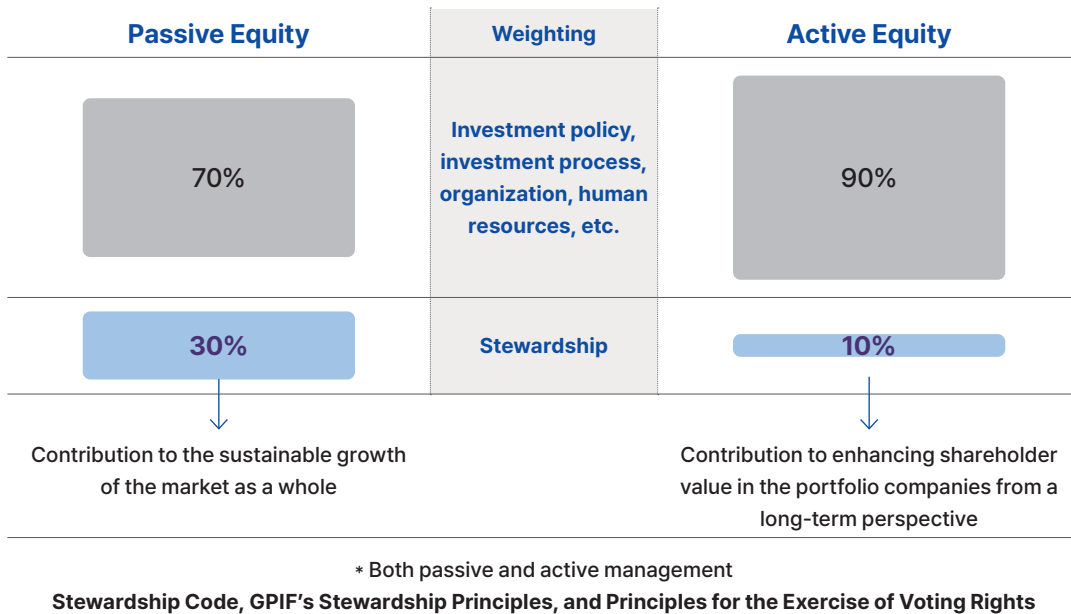


GPIF also considers the implementation of the Stewardship Code as a key criterion in its evaluation of external managers. For passive investment, the stewardship-code item accounts for about 30% of the overall evaluation, and for active investment about 10%, a stark contrast with the NPS, which reflects only whether the Stewardship Code has been adopted, in the form of minor bonus points. Through exchanges of views with external managers, GPIF also checks: ▲ the appropriateness of overall organizational structure and conflict-of-interest management; ▲ endorsement of Japan's Stewardship Code and the Principles for Responsible Investment (PRI); ▲ the establishment of a stewardship policy and the status of engagement; ▲ the selection of key ESG issues and the record of activities on them; ▲ the voting process; and ▲ compliance with GPIF's stewardship and voting principles (including disclosure of detailed voting records).¹⁵

14 GPIF, 2024 Stewardship Activities Report, pp. 39–40.

15 GPIF, 2024 Stewardship Activities Report, p. 21.

[Figure 8] Weighting in GPIF's evaluation of external managers



Source: GPIF 2024 Stewardship Activities Report

3. Strengthening Disclosure of Climate Information and Stewardship-Code Implementation

1) Climate information disclosure

The NPS prepares and discloses a sustainability report at the organizational level, but it does not contain any climate information for managed assets. The climate information most required of the NPS is climate-related governance, risk-management strategy, climate response policy, financed emissions, and reduction targets, based on the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). Yet, none of this is currently included in the NPS's sustainability report, a level unbecoming a global pension fund ranked fourth in the world by size.

This is not merely a matter of disclosure format; it stems from the inadequacy of the climate response itself. Where the climate response is lukewarm, it is only natural that climate disclosure cannot be done properly. Where the NPS has not formalized a net-zero declaration or a greenhouse gas reduction plan, it is in effect impossible to compile and disclose the related climate information, which is precisely why such compilation and disclosure are all the more necessary. Compiling and disclosing climate

information that is faithful to reality and, further, aligned with the fund's medium- to long-term climate goals is itself part of the climate response.

On climate information disclosure, the cases of CalPERS and CalSTRS (California State Teachers' Retirement System)—which disclose TCFD-based climate information under California state law—are worth referencing. Under California Senate Bill (SB) 964, California imposes a statutory duty on CalPERS and CalSTRS to assess the financial risks to their investment portfolios from climate change and to report the results to the legislature every three years. CalPERS disclosed its first climate-risk report under that law in December 2019,¹⁶ followed by further climate-risk reports in November 2022 and November 2025. In June 2020 it also separately disclosed a climate-risk-response investment strategy report following the TCFD recommendations.¹⁷

For reference, CalPERS measures financed emissions under the heading "carbon footprint," broken down by investment asset type (equity, fixed income, real estate). CalPERS's financed emissions for 2022 and 2025 are shown in Table 17. A downward trend in financed emissions is evident in the equity portfolio, whereas in the fixed-income portfolio, financed emissions in fact rose sharply. CalPERS notes, however, that for the fixed-income portfolio, intensity has improved by about 51% since the first measurement point in 2017.

[Table 17] CalPERS financed emissions

(ton CO₂e; ton CO₂e/\$M)

Asset	Scope	Financed emissions (ton CO ₂ e)		Intensity(ton CO ₂ e/\$M)	
		2022	2025	2022	2025
Equity	Scope 1+2	12,702,548	8,963,671	52.8	41.7
	Scope 3 (upstream)	20,763,982	17,615,494	86.3	81.9
	Scope 3 (downstream)	41,584,832	38,351,643	172.9	178.3
Fixed income	Scope 1+2	2,869,689	7,367,705	86.2	121.6
	Scope 3 (upstream)	3,463,221	7,949,983	104.1	131.2
	Scope 3 (downstream)	10,774,404	21,025,832	323.7	347.1
Real estate	Scope 1+2	437,834	249,485	-	-
	Scope 3	365,583	808,315	-	-

Source: CalPERS (2022, 2025), Addressing Climate Change Risk.

16 CalPERS (December 2019), Addressing Climate Change Risk – CalPERS' First Response to Senate Bill 964.

17 CalPERS (June 2020), "CalPERS' Investment Strategy on Climate Change – First Report in Response to the Taskforce on Climate-Related Financial Disclosure, June 2020."

2) Strengthening stewardship reporting

The NPS publishes a Stewardship Activities Report each year under Principle 6 of the Stewardship Principles and Article 29 of the Stewardship Activity Guidelines. The current report, however, is not sufficient to grasp the NPS's stewardship activities. Most of it is information already disclosed regularly or as needed at the National Pension Fund Management Committee level, and formal content—the significance and procedure of stewardship activities, NPS-related history, and so on—occupies too large a share. By contrast, information allowing one to grasp the specific content of engagement on key issues and the responses and changes of target companies is not sufficiently provided. Although some positive cases or engagement outcomes are introduced, they are difficult to regard as useful information; they read closer to promotional material.

In particular, for companies released from focus list, the Stewardship Activities Report should include the basis for release and the monitoring of the post-release situation. Yet, such information, too, is currently undisclosed.

Even where a target company is at the confidential phase, the Stewardship Activities Report should objectively report the main content of engagement and the company's response, at a level that does not identify the company by name. In particular, where the NPS has released a company from focus list, it should report ▲ what improvements occurred and ▲ whether the improved matters are being continuously implemented and maintained.

Moreover, if engagement through external management is expanded and strengthened, the Stewardship Activities Report should also include ▲ quantitative indicators and the main content of engagement conducted by external managers, and ▲ the results of checking and evaluating external managers' stewardship-code implementation. GPIF's approach is worth referencing here.

4. Improving Governance

The factor that practically constrains the NPS's active stewardship and climate response the most is a governance structure that finds it hard to remain free from the influence of the incumbent government. The National Pension Act vests the Minister of Health and Welfare with authority and responsibility for managing and operating the pension (Article 102); the National Pension Fund Management Committee, too, by law is a committee under the Ministry of Health and Welfare, with the Minister as chair and, as ex officio members, the vice-ministers of four ministries (Economy and Finance; Agriculture, Food and Rural Affairs; Trade, Industry and Resource; and Employment and Labor) and the President of the

NPS. The National Pension Service Investment Management (NPSIM), which directly handles fund management, is also a public institution and can hardly be regarded as having sufficient independence from the incumbent government.

Nonetheless, if the incumbent government were to strengthen the Stewardship Code solely to support the stable growth of pension assets, without regard to other interests, meaningful reform could be achieved even within the current structure. For this, it is above all important to guarantee sufficient authority and resources to the sub-committee specializing in engagement. That is, within a governance structure such as the present one, the Special Committee must be guaranteed sufficient authority and resources.

Specifically, the Special Committee should be empowered not merely to select engagement-target companies but also to decide whether and how engagement is conducted. In addition, to enable the Special Committee to play its role fully, the supporting staff and organization of the Stewardship Office within the NPS should be strengthened.



Solutions for Our Climate(SFOC) is an independent policy research and advocacy group that aims to make emissions trajectories across Asia compatible with the Paris Agreement 1.5°C warming target.