Introduction of the Stock-based Compensation Plan

1. NAVER’s Mission

NAVER Corporation (hereinafter “NAVER”) is a 'set of global challenges' that ceaselessly presents advanced and innovative services in the global market.

NAVER aims to provide cutting-edge technology for services embedded in users' daily lives. We seek to provide services that connect users with diverse opportunities and discover new experiences. NAVER is making its utmost efforts to create value for our stakeholders such as our business partners, content creators, advertisers, employees, and shareholders, by offering novel user experiences via “connect and discover” technology.

Continuous challenges are the way of survival for NAVER.

2. NAVER’s Business Environment and Strategy

Internet is a dynamic market where a small movement can lead to bigger changes and allows a single service to instantly grow into a platform. As users can quickly transfer from one service to another based on their user experiences, No.1 service can quickly be replaced. Due to low-entry barrier, numerous new companies enter the IT industry every day and interact with the global users via Internet. As such, NAVER has naturally been exposed to fierce competition globally since its incorporation.

The core competitiveness of an Internet business is to showcase the best user experience by instantaneously responding to their needs and voices. From the establishment in 1999, NAVER has continuously created growth opportunities by examining, studying, and responding to even the smallest pieces of users' inconvenience which could have been overlooked. NAVER has strived to provide the best services to our users, small and medium enterprises, creators, and advertisers with the weight of the responsibility and pride of providing the No.1 service.

The business environment surrounding NAVER is changing more rapidly than ever before as we approach the 20th anniversary in 2019. On the Internet where the boundaries of borders, industries, service areas, and even online and offline have collapsed, the competition among the global leading companies are getting fiercer. Moreover, introduction of new technologies such as Artificial Intelligence are interlinked to each other, and transform the entire business landscape.

Leveraging these environmental changes as an opportunity to make a new leap forward, NAVER continues to take on challenges in the global market with differentiated and bold innovations. At the same time, NAVER continues to strengthen the competitiveness of its core businesses with preemptive investments in future technologies.

The key element to NAVER's continuous growth by taking on new challenges has always been our talents. In the information age talent is the core element to decide the success and failure of the business.

NAVER's growth was led by its talents. 'Founder-type leaders' who blazed the trail in the forefront and have launched innovative services including LINE, NAVER Webtoon, and SNOW contributed greatly to NAVER's leap into a global market. To accelerate and reinforce growth momentum, NAVER believes it is critical to foster an environment where employees can grow to become a new set of 'founder-type' leaders.

In order to achieve this goal especially amid fierce competition to secure excellent talents around the world, NAVER has come to a conclusion to introduce new compensation plan for employees and shareholders to grow together.
New challenges pursued by talents should not be limited to short-term projects but shall stretch out to become recurring performances. The new compensation plan must present itself as an enticing element for talents as powerful incentive to challenge the global market. Also, it has to coincide with the benefits of all stakeholders and be linked to long-term value of the company. Recognizing such surroundings, NAVER is introducing the stock-based compensation plan.

3. Compensation Plan

NAVER believes that 2019, which marks the 20th anniversary of the company, will be a stepping stone for strong growth and business expansion. To reinforce growth momentum in a critical period where crisis and opportunity co-exist, we need to assemble a set of top talents to dream of great challenges together. To this regard, NAVER has introduced the stock-based compensation plan to further reinforce connection between an employee’s goal and performances with the corporate value. The compensation plan complies with the following basic principles.

1) Incentives for the Employees to Share the Future Growth of the Company

① The Plan should operate as an incentive to support the efforts and contributions of employees who actively take on new challenges and changes, produce results and lead the future growth to become the leading Internet Company.

② The Plan should allow employees’ interests to be aligned to that of the company’s and offer opportunities to the individuals to grow and contribute to the company growth.

2) Compensation StructureBenefiting All Stakeholders Including Shareholders and Employees

① The Plan should be designed to strengthen the compensation structure which benefit all stakeholders, and clearly align the interests of shareholders and that of the employees with an aim to maximize shareholders’ value.

② The compensation scale should be calculated based on business performances and the future value created by the employees and shall be approved by general shareholders’ meeting or by the committee which have been delegated authority on behalf of the shareholders.

③ The Plan should present opportunities and frameworks for all stakeholders including shareholders and employees to closely monitor the company’s service, business, and investments in a long-term perspective to ensure NAVER’s continuous growth.

3) Foundership, Recognition and Compensation for new challenges

① The Plan should be designed to recognize and reward the foundership of ‘founder-type leaders’ in order to encourage innovations with a long-term view.

② The Plan should provide compensation reflecting the efforts and contribution of employees who are leading meaningful changes and initiatives through overcoming challenges.

4) Compensation Governance with Independence, Transparency, and Professionalism

① To ensure independence, objectivity, and transparency of the compensation plan decision process, the Compensation Committee shall be composed of all outside directors. The Compensation Committee shall
advise and propose to the Board by deliberating the basic policies, total scale, composition, and evaluation criteria of the compensation.

② The Compensation Committee shall be held regularly, and the validity of the company’s strategy, talent acquisition, motivation, and etcetera shall be reviewed in various ways based on the advice of experts in diverse fields, such as compensation policy consultants independently appointed by the Compensation Committee.

4. Overview of Stock-based Compensation Plan

The stock compensation plan has been resolved by the Board base on the advice and suggestions of the Compensation Committee. Upon introduction of the compensation plan, key leaders and top talents’ proportion of long term incentives shall increase compared to short-term cash incentive.

① The compensation will be granted over the three years starting from 2019 and the total scale of compensation will be limited to 5% of total number of issued shares including phantom stocks and cash compensations. Actual grant level of the Company’s stock option will be less than 3% (within 1% every year) to minimize the dilution.

② Less than 2.5% (within 0.8% every year) of above mentioned 5% of total number of issued shares will be granted to the key leaders and top talents. The compensation plan is structured to minimize the damage of shareholders value from dilution and to encourage key leaders’ and top talents’ long-term retention and motivation to enhance corporate value.

③ The compensation plan will be effective upon approval of general shareholders’ meeting, and compensation scale is subject to change upon review every year based on the Company’s financial and stock performances.

(Note) In accordance to Article 30 of Enforcement Decree of the Commercial Act, granting stock options to affiliated companies is prohibited therefore, phantom stocks shall be granted to the employees of the affiliated companies. The only differences exist in granting and exercise method while other conditions such as exercise price, exercise period and tax bases are identical. Particular affiliates include NBP, Works Mobile, NAVER Labs, NAVER Webtoon, NAVER I&S, and SearchSolution. Please note that SNOW is scheduled to run a separate stock option program utilizing SNOW’s stocks instead of those of NAVER.

This is an English translation of the original Korean-language document. Should there be any inconsistency between the translation and the original Korean text, the later shall prevail.