

Korea Institute of Corporate Governance and Sustainability



Korea Institute of Corporate
Governance and Sustainability



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- ESG Rating and Analysis
- RI Advisory Service
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Creation, Revision &
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Website

We contribute to the advancement of capital markets and firms through innovative ESG research and services.

Leading sustainability management



PROFESSIONALISM



FRONTIER SPIRIT



EXECUTION



SOCIAL RESPONSIBILITY

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ESG Policy Research

KCGS REGULARLY INSPECTS AND ADDRESSES THE POSSIBILITIES OF ANY CONFLICTING INTERESTS BETWEEN THE DIFFERENT WORK DIVISIONS AT THE ORGANIZATION MENTIONED ABOVE FOR ENHANCED FAIRNESS, TRANSPARENCY, AND RELIABILITY OF ITS ACTIVITIES.

MESSAGE

Since its inception in June 2002, the Korea Institute of Corporate Governance and Sustainability (KCGS) has endeavored to support listed companies in Korea for their corporate governance improvements.

Among others, the institute strived to create an environment to establish an order in corporate governance by publishing and updating the code of best practices for corporate governance and that for an audit committee (internal auditor) and by rating corporate governance practices at listed firms.

KCGS's rating of governance expanded its scope to include the environmental (E) and social (S) spheres in 2011, followed by a drive to establish an integrated ESG rating scheme. Starting with the proxy advisory service in 2012, the institute has expanded its support for the financial industry as well by launching a responsible investing advisory service, assisting the establishment of the stewardship code, and creating a new rating category that evaluates corporate governance at financial institutions. The institute took another step in 2017 to launch a policy research group within the organization, strengthening its ESG research capabilities.

Through these innovative changes, KCGS has grown into an integral institution in the local capital markets, providing quality ESG rating data, timely ESG research, and unrivaled investor advisory services.

Currently, capital markets around the globe are creating dynamic changes centered on ESG. Regulatory and institutional changes aimed at reinforcing the responsibilities of listed firms and institutional investors in the ESG arena are coming faster than expected. Key stakeholders, including investors, are raising their voices to demand enhanced ESG disclosure and business management.

KCGS embraces these rapid changes as an opportunity rather than an unexpected risk. Based on its experience and capacity, the institute aims to develop into the best ESG institution that provides a top-notch market infrastructure.

As always, KCGS will spare no effort to engage external stakeholders to meet the global standards in ESG as well as to find the best possible supportive measures that fit the local market environment. The institute hopes that such efforts will contribute to the sustainable development and growth of the Korean listed firms, capital markets, and the national economy as a whole. We look forward to your continued engagement and support.

Thank you.

President of KCGS

HISTORY

KCGS contributes to the sound development of the capital markets by presenting a desirable pathway for the sustainable growth of a company through conducting analysis, research, and evaluation with a focus on a firm’s environmental and social responsibility and healthy and transparent governance structure.

2022~

- 09 Renamed as Korea Institute of Corporate Governance and Sustainability (KCGS)
- 07 MOU signed with KRX - G rating scope expanded to include KOSDAQ firms

— 2021

- 10 In Sook Shim appointed as the 7th president
- 08 ESG Code of Best Practices revised

— 2020

- 07 MOU signed with FnGuide

— 2019

- 06 Jhin Young Shin appointed as the 6th president
- 04 MOU signed with Audit Committee Forum

— 2018

- 09 KOSCOM joined as a member organization
- 06 Code of Best Practices for Audit Committee and Auditor published

— 2017

- 12 KICPA joined as a member organization
- 09 KSD and KSFC joined as member organizations

2016~

- 12 Korea Stewardship Code published
- 08 2nd revision of the Code of Best Practices for Corporate Governance
- 06 Myeong Hyeon Cho appointed as the 5th president
- 02 Voting Information Plaza (VIP) launched

— 2015

- 06 MOU signed with European Chamber of Commerce in Korea
- 05 MOU signed with Korean Accounting Association

— 2014

- 05 MOU signed with Korea Entrepreneurship Foundation and National Research Foundation of Korea

— 2013

- 12 MOU signed with Sogang Sustainable Business Ethics Research Institute
- 10 MOU signed with NICE Information Service
- 06 Kyung Suh Park appointed as the 4th president

— 2012

- 02 Proxy advisory service launched

— 2011

- 07 An integrated ESG rating launched

2010~

- 12 Code of Best Practices for Environmental Management and Socially Responsible Management published
- 08 Renamed as Korea Corporate Governance Service (KCGS)
- 06 Byung Ho Kang appointed as the 3rd president

— 2009

- 09 SRI Index developed jointly with KRX
- 07 Joined the UN Global Compact (UNGC)

- 02 Renamed as Korea Corporate Governance Center

— 2008

- 06 ICGN Conference and Annual Conference hosted jointly with KRX

— 2005

- 04 Sang Gu Nam appointed as the 2nd president

— 2003

- 02 1st revision of the Code of Best Practices for Corporate Governance

— 2002

- 06 - Gwang Sun Jung appointed as the 1st president
- Approved by the Minister of Economy and Finance
- Korea Corporate Governance Improvement Support Center established



Member Organizations

For a shared goal of achieving the sound development of the Korean capital markets, a number of organizations have joined KCGS as a member.

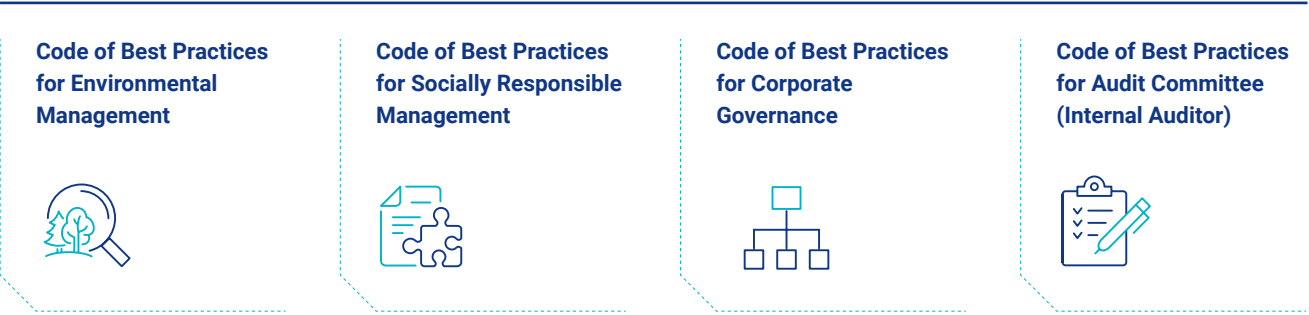




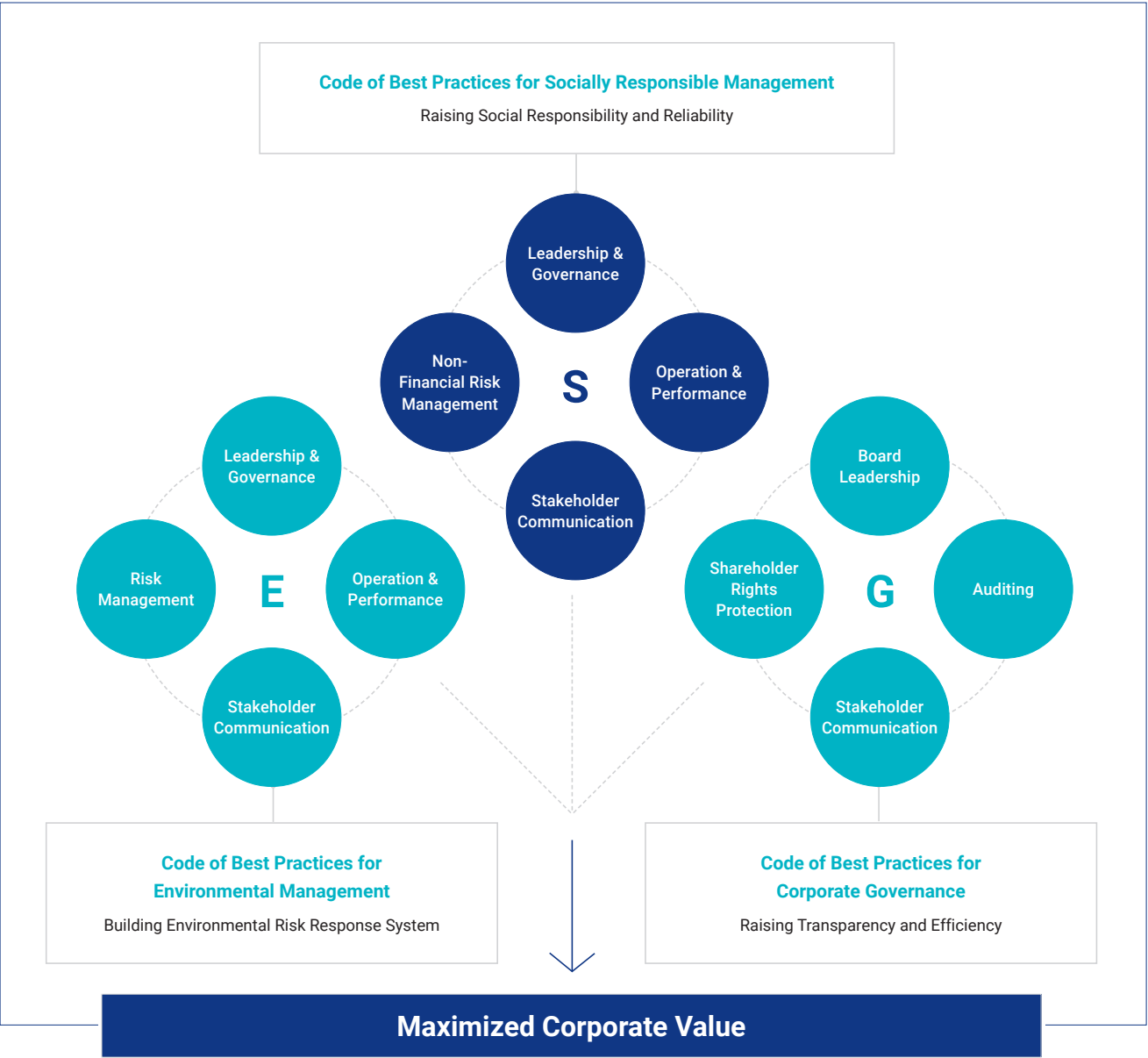
Business Areas

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Code of Best Practices



As Korea’s sole publisher of the E-S-G Code of Best Practices, KCGS puts forward a future-oriented desirable direction for ESG management, aiming to help Korean companies earn confidence both domestically and internationally.



E

Code of Best Practices for Environmental Management

The Code presents a desirable direction of enterprise-level environmental management that enables firms to respond to the global climate crisis and other diverse environmental changes proactively.

Established in Dec. 2010

Revised in Aug. 2021

S

Code of Best Practices for Socially Responsible Management

The Code aims to present non-financial risks that encompass a wide range of social issues in a preemptive manner and encourage firms to take advantage of these risks as opportunities.

Established in Dec. 2010

Revised in Aug. 2021

G

Code of Best Practices for Corporate Governance

The Code presents a desirable direction to build a more transparent and responsible corporate governance structure to achieve sustainability that also considers stakeholders beyond the interests of shareholders.

Established in Sept. 1999

1st Revision in Feb. 2003, 2nd Revision in Feb. 2016, and 3rd Revision in Aug. 2021

Code of Best Practices for Audit Committee (Internal Auditor)

The Code provides a comprehensive guide on the composition, operation, roles & responsibilities, and communication of the audit committee (auditor) at a listed firm.

Established in Jun. 2018

KCGS Guidelines Series

A series of KCGS Guidelines are designed to help companies improve their governance voluntarily by abiding by the guidance outlined in the Code of Best Practices for Corporate Governance.

- Shareholders — Directors — Management
- Series 1. Proxy Voting Guidelines
 - Series 2. Board Evaluation Guidelines
 - Series 3. CEO Evaluation Guidelines
 - Series 4. Remuneration Committee Guidelines
 - Series 5. Board Operation Guidelines

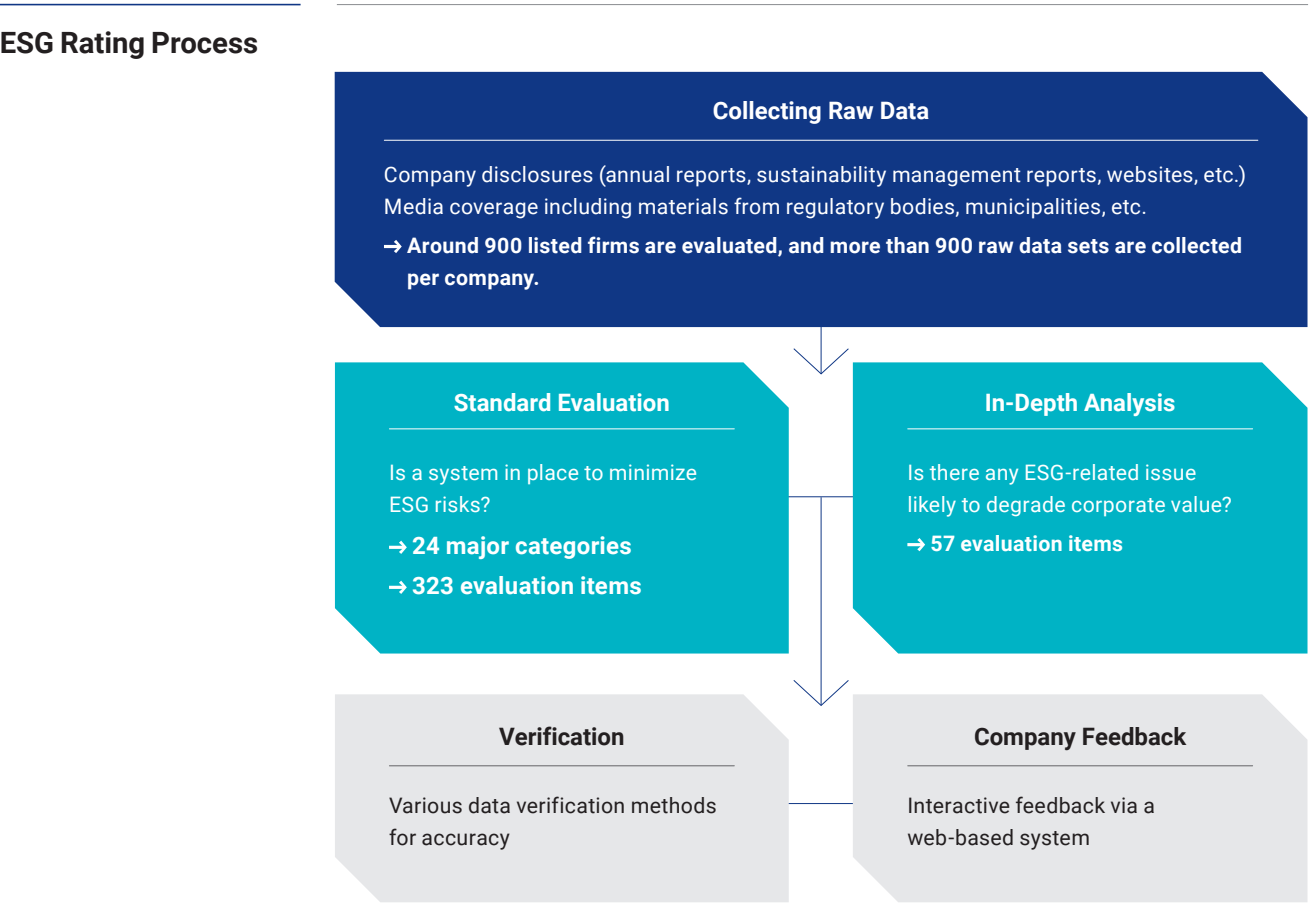
ESG Rating & Analysis



ESG ratings are a representative measurement of the sustainability of a firm. KCGS evaluates companies' ESG performance using its proprietary rating models aligned with global standards such as the OECD Principles of Corporate Governance and ISO 26000, as well as reflective of the local regulatory and management environment.

Purpose of ESG Evaluation

KCGS evaluates the ESG performance of listed firms and financial institutions in Korea to gauge the ESG level at Korean firms and offer model practices. It is to contribute to the sustainable growth and development of the Korean market and firms.



ESG Rating Models				
Category	Environmental (E)	Social (S)	Governance (G)	Governance for FIs (FG)
Standard Evaluation	4 major categories, 103 evaluation items - leadership & governance - risk management - operation & performance - stakeholder communication	9 major categories, 53 evaluation items - labor practice - workplace safety & health - human rights - fair operation practice - sustainable consumption - information & privacy protection - local community engagement and development - stakeholder communication	4 major categories, 70 evaluation items - board leadership - shareholder rights protection - auditing - stakeholder communication	7 major categories, 97 evaluation items - board - shareholder rights protection - CEO - remuneration - risk management - auditing body & internal control - stakeholder communication
	10 evaluation items - violation of environmental laws - climate change risk - environmental accidents, etc.	10 evaluation items - unethical labor practice - frequent workplace accidents - unfair trade - violation of consumer rights, etc.	19 evaluation items - violation of governance laws - inappropriate agenda for shareholders' meetings - performance-irrelevant pay raises - controversial related-party transactions, etc.	18 evaluation items - violation of accounting rules - sanctions from financial authorities - designation as unfaithful disclosure corporation - negative auditor opinion, etc.

ESG Rating Grades

KCGS assigns companies grades for their respective E, S, and G performance and an integrated rating grade that takes into account all three areas comprehensively. KCGS assigns ESG grades, both individual and integrated, with letter marks of S, A+, A, B+, B, C, and D.



RI Advisory Service

Providing ESG Ratings Data for Institutional Investors

Providing Company & Issue Reports

Providing RI Universe

Advising on Shareholder Engagement Activities

KCGS offers the most appropriate RI solutions not only for the institutional investors adopting RI for the first time but also for those who are already operating their own RI strategies.

Purpose of RI Advisory Service

KCGS provides customized services for institutional investors to meet their needs for their investment decisions. KCGS offers a wide range and wealth of RI advisory services, from the provision of ESG rating data, analysis reports, and RI universe to the consultation on shareholder engagement activities.

What is Responsible Investing (RI)?

An investment strategy that adopts ESG considerations in evaluating corporate values and reflects it in investment decisions to maximize long-term shareholder value through the active exercise of voting rights.

Key Services

- Providing ESG rating data and analysis reports of the rated companies
- Providing company and issue analysis reports and research data relevant to RI
- Advising on effective shareholder engagement activities for investment asset protection

KCGS'S RI Reports

Issue Report	Offers timely analysis on ESG matters occurring at Korean listed firms alongside their implications
Watch	Provides systematic analysis of the ESG risks faced by domestic listed companies and offers an in-depth insight
ESG Insight	Examines ESG topics that carry significance for institutional investors and offers insights
Global ESG News	Discusses the implications of the latest global systems and cases on responsible investing in a timely basis
Responsible Investment Review	Analyzes the trends and topics related to RI from home and abroad and discusses the implications to promote RI among institutional investors and capital markets more broadly

Proxy Advisory Service

Analysis of AGM Agenda

Creating and Updating Proxy Voting Guidelines

Research on Local and Global Systems for Proxy Voting

Analysis of Institutional Investors' Voting Trends

As a nonprofit organization, KCGS provides professional proxy advisory service that guarantees objectivity and independence. We analyze agenda items of shareholder meetings on behalf of investors to support their effective voting.

Creating and Updating Proxy Voting Guidelines

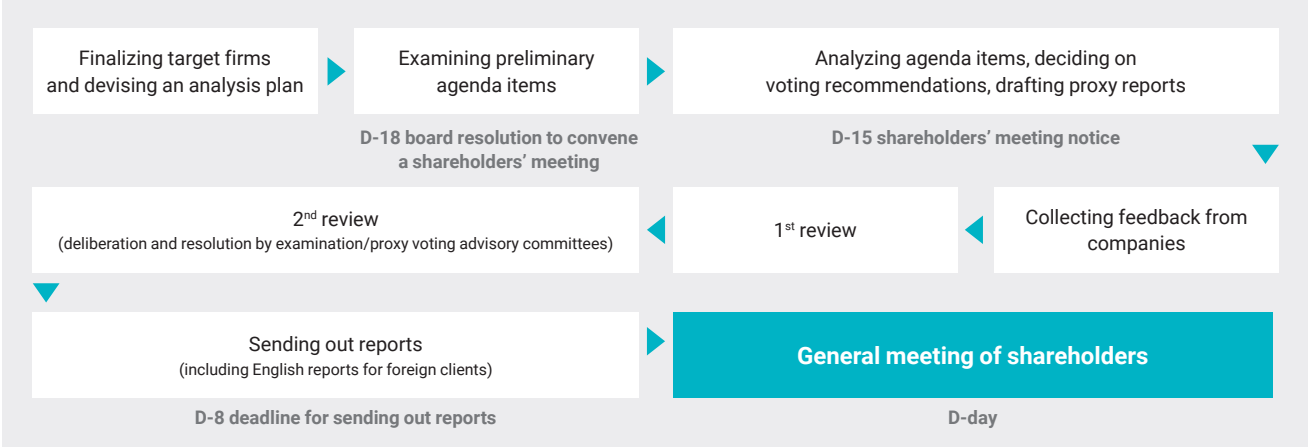
In April 2004, KCGS published proxy voting guidelines for institutional investors, the first of its kind in Korea. In March 2012, the institute established 'KCGS Proxy Voting Guidelines' containing its own standards and guidelines for examining agenda items and has published updated versions since then. KCGS provides proxy advisory services based on publicly available guidelines for increased independence and transparency of its service.

Key Services

- **Providing proxy reports**
 - Launched proxy advisory services for pension funds for the first time in Korea
 - Accumulated more than 100,000 financial and non-financial data sets through corporate disclosures, media coverage, materials from regulatory and supervisory authorities, etc.
 - Unrivaed experience and expertise coming from more than 900 AGM agenda analyses every year since 2015
- **Analysis of local and global systems and voting trends**
 - Tracking changes in the local and global legal environment and government policies related to proxy voting alongside voting records of major institutional investors from Korea and abroad

Proxy Review Process

KCGS carries out an efficient and accurate analysis of agenda items based on its six-step proxy review process that considers shareholder meeting schedules.



ESG Data

Provides ESG Rating Data to Support Academic Research



Provides ESG Data for Government and Securities Organizations' Policies and Activities



Building ESG DB to Facilitate Data Utilization



KCGS provides the market with the data produced from its ESG rating and RI/proxy advisory services. By doing so, it aims to meet ESG data needs from its stakeholders and thereby promote ESG data usage in the capital markets and contribute to the ESG ecosystem.

Providing ESG Rating Data to Help Build Infrastructure in the Capital Market

KCGS offers ESG rating grades on ESG portals and securities information portals for increased utilization of ESG data in capital markets.

기업 ESG 평가정보						
기업기본정보	기업명 E1					
발행인발발행정보	조회기간 2019년 ~ 2021년 1년					
재무정보	조회					
경영사분석						
발행주식수증감내역						
신용등급정보						
코스닥기술분석보고서						
ESG 평가정보	단속코드	기업명	ESG 평가 부문			평가년도
전자공시	017940	E1	환경경영(E)	사회책임경영(S)	지배구조(G)	ESG등급
분석리포트(요약)	017940	E1	B+	A	B+	B+
주식권리일정	017940	E1	B이하	A	B+	B이하
배당내역상세	017940	E1	B이하	B+	B이하	B이하
의무보유증권현황정보						
KSD대행주식분포내역						
등록(예탁)가능여부						

A securities information portal offered by KSD (seibro.or.kr)

회사명	KCGS				MSCI	연도	지속가능경영보고서 공시여부
	종합등급	환경	사회	지배구조	종합등급		
AJ네트웍스	B	D	B	B	-	2022	NO
AK홀딩스	B+	B	B+	B+	-	2022	NO
BGF	A	A	A+	A	-	2022	NO
BGF리테일	A	A	A+	A	BBB	2022	NO
BNK금융지주	A+	A	A+	A+	A	2022	YES
BYC	B	D	B	B+	-	2022	NO
CJ	A	B+	A+	A	BBB	2022	NO
CJ CGV	A	B	A	A	-	2022	NO
CJ대한통운	A	A	A+	A	BBB	2022	NO
CJ씨푸드	B	C	B+	B+	-	2022	NO

An ESG portal offered by KRX (esg.krx.co.kr)

Utilization of ESG Rating Data

KCGS's ESG rating data are used for the stock composition of KRX's five ESG indices as follows:

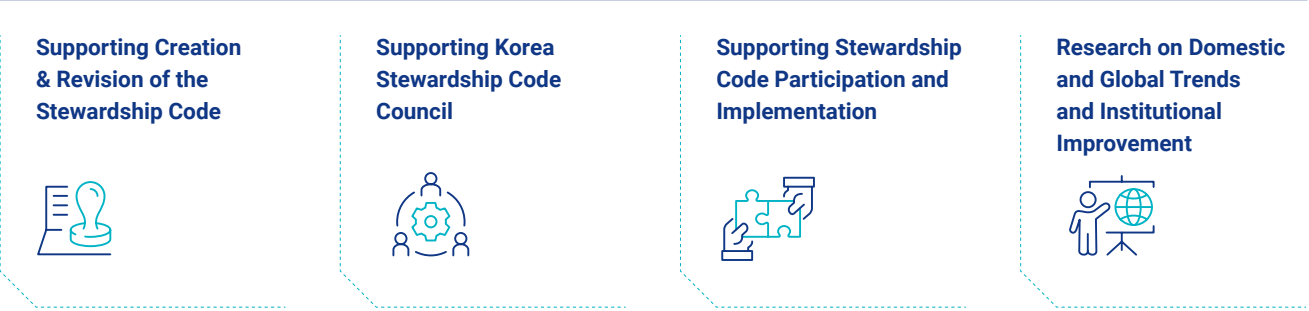
KRX ESG Leaders 150
KRX Governance Leaders 100
KRX Eco Leaders 100
KRX ESG Socially Responsible Management Index (S)
KRX KOSPI 200 ESG Index

NO	기업명	기업코드	ESG등급	환경	사회	지배구조	평가년도	비고 (조정시기)
1005	AJ네트웍스	095570	B	D	B	B	2021	-
1004	AK홀딩스	006840	B+	B	B+	B+	2021	-
1003	AP시스템	265520	D	D	D	C	2021	-
1002	BGF	027410	A	A	A+	A	2021	-
1001	BGF리테일	282330	A	A	A+	A	2021	-
1000	BNK금융지주	138930	A+	A	A+	A+	2021	-
999	BNK캐피탈	801190				B+	2021	-
998	BYC	001460	B	D	B	B+	2021	-
997	CJ	001040	A	B+	A+	A	2021	-
996	CJ CGV	079160	A	B	A	A	2021	-

KCGS Website (cgs.or.kr)

* The portals provide ratings data by year, category, and company but only in Korean as of today.

Stewardship Code Creation, Revision & Implementation Support



* SC: Stewardship Code

KCGS provides practical support for more institutional investors to join the stewardship code and fulfill their fiduciary duties effectively.

Stewardship Code: Purposes and Implications

The Korea Stewardship Code, the “Principles on the Stewardship Responsibilities of Institutional Investors,” sets forth seven detailed principles and guidelines for institutional investors to fulfill their fiduciary duties. Through constructive shareholder engagement suggested by the Code, institutional investors not only induce medium and long-term development of investee companies and contribute to higher returns for their clients and beneficiaries, but also support the growth and development of the capital markets and the economy as a whole.

The Korea Stewardship Code upholds the autonomy of institutional investors by adopting a principle-based approach rather than being prescriptive, and emphasizes mutual benefits of companies and shareholders as well as the importance of two-way communication instead of unilateral interference of institutional investors.

Seven Principles of the Korea Stewardship Code

- 1 Institutional investors should publicly disclose a policy to fulfill their stewardship responsibilities.
- 2 Institutional investors should publicly disclose a policy to prevent conflicts of interest likely to arise in the course of their stewardship activities.
- 3 Institutional investors should regularly monitor investee companies.
- 4 Institutional should formulate internal guidelines on how to fulfill their stewardship activities.
- 5 Institutional investors should publicly disclose a voting policy, as well as voting records and the reasons for each vote.
- 6 Institutional investors should regularly report their voting and stewardship activities to their clients.
- 7 Institutional investors should have the capabilities and expertise required to implement stewardship responsibilities in an effective manner.

Expected Benefit of Joining Stewardship Code



KCGS’s Roles

- Providing support for the creation and revision of the stewardship code
- Publishing and revising the stewardship code guidebook and other guidelines
- Assisting institutional investors participating in and implementing the stewardship code
- Research on market trends of participating and implementing the stewardship code
- Supporting the operation of the Korea Stewardship Code Council
- Managing a dedicated website (sc.cgs.or.kr)
- Hosting briefing sessions for institutional investors and listed companies
- Providing useful information for institutional investors’ shareholder engagement (e.g. VIP)
- Case studies on international trends of creating/updating the stewardship code and institutional improvements
- Research on policy challenges and legal improvements to promote the stewardship code and RI

What is VIP (Voting Information Plaza)?

VIP accumulates and offers a variety of data related to general meetings of shareholders, including basic information about the meetings, institutional investors’ voting records, and data on shareholder proposals.

ESG Policy Research

Empirical Research on ESG and Related Systems



Commissioned ESG Research Projects



Hosting Symposiums and Seminars



Conducting Research Projects for Member Organizations



KCGS carries out diverse research projects, supporting the sustainable growth of firms and contributing to building a more transparent and fair society. The research includes local and global ESG practices and relevant systems and institutions drawing on the institute’s vast data, with the outcome providing useful information academically and practically. KCGS also eagerly engages in research partnerships with other institutions.

Publications

ESG Review

A quarterly publication that mainly covers academic research on ESG

KCGS Report

A monthly publication that provides timely information on local and global ESG trends, consisting of ESG Trends and Global News

ESG Issue Analysis

Conducts in-depth analyses of ESG issues in a practical, professional, and timely manner, aiming to promote ESG discussion in Korea

Policy Research Report

Offers high-quality research and analysis on ESG issues, including ESG ratings and RI, aiming to lead research trends and policy-settling

Commissioned research projects (latest 5 years)

For more details, please visit www.cgs.or.kr

Year	Organization	Research
2021	Financial Supervisory Service	Case studies of ESG policy implementation in major countries
	Korea Forestry Service	Research on the development of a standard ESG evaluation system for the forestry area
	The Presidential Committee on Jobs	Linking ESG with jobs
	Korea Post	Ways to promote SRI by Korea Post Bank
	Korea Environmental Industry & Technology Institute	Improvement of disclosure items (draft) in line with expanding mandatory environmental disclosure scope
	KDB Bank	Developing a model to diagnose the ESG investment implementation level at KDB's external asset managers
	Ministry of Environment	Ways to manage external reviewers of green bonds
2020	Korea Fair Trade Commission	Research on the sophistication of the disclosure by the business groups subject to the regulatory disclosure requirement
	Korea Investment Management	Ways to expand shareholder activities under new circumstances of capital markets
	Ministry of Environment	Ways to expand financial institutions' usage of EnVinance based on an improved financial support system for green companies
2019	Teachers' Pension	Research on the adoption of the stewardship code by the Korea Teachers' Pension
2018	Financial Services Commission	Methods to measure the effectiveness of the financial conglomerate risk management scheme
	KAMCO	Views on the responsible investing on the stocks paid as tax
	Korea Post	Research on the adoption of the stewardship code by Korea Post Bank
	Hana UBS Asset Management	Supporting the adoption and implementation of the stewardship code
2017	Truston Asset Management	Supporting the adoption and implementation of the stewardship code
	Heungkuk Asset Management	Supporting the adoption and implementation of the stewardship code
	KICPA	Establishment of the code of best practices for audit committees with detailed manual and checklists
	Korea Productivity Center	Review of the development of the small-medium cap SRI index
	Korea University	Research on the responsible investment and the stewardship code for NPS


WEBSITE


Companies

esg.cgs.or.kr


- Providing ESG evaluation data for corporate members

- Providing corporate members with feedback opportunities




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Evaluated firms have access to our rating information.

They can find detailed rating information accumulated over a decade, including rating scores, evaluation criteria, and rating schedules.
- 

Evaluated firms can participate in the feedback process.

They can read the data collected and compiled by KCGS and ask for correction and supplementation. Companies can communicate with us via a dedicated website.
- 

Evaluated firms can print out their evaluation report in Korean and English.


They can access ratings and evaluation scores for each category and compare themselves with the industry leader. KCGS assesses strengths and weaknesses and proposes potential improvement areas.


Institutional Investors and Companies

proxy.cgs.or.kr

- Providing proxy analysis reports and RI reports for institutional investor subscribers.

- Providing feedback opportunities for corporate subscribers.




- 

Institutional investors can read our analyses of agenda items.

They have access to all proxy reports under the agreed scope.
- 

Companies may offer feedback in the course of the proxy analysis process.

Companies may check raw data used for proxy analysis and ask for correction and supplementation if necessary.
- 


Institutional investors can read RI reports.


They have access to all RI reports under the agreed scope.

ALL


sc.cgs.or.kr

Korea Stewardship Code-related data available




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The website provides information on the establishment and revision of the Korea Stewardship Code.

Available information includes the past and present efforts to create and update the Korean version of the stewardship code, the composition of the Korea Stewardship Code Council, and the endeavor for the settlement and spread of the code in the local market.
- 

Visitors can understand how to join the Korea Stewardship Code and who has already signed up.

The website details the procedures necessary to take for the adoption of the code. It also lists the code participants and classifies them by organization type, e.g., pension funds, insurers, and asset managers, providing links to their respective websites.
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A variety of data and information for the implementation of the Korea Stewardship Code are available.


Available information includes the Korea Stewardship Code Guide Book, local and global cases with institutional investors, and domestic and foreign legal requirements and guidelines.

ALL


vip.cgs.or.kr

VIP(Voting Information Plaza)




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VIP is a portal that compiles and provides useful information for investors to cast their votes.

The website provides a snapshot of institutional investors' stewardship code implementation status, their voting records with rationales, and the outcome of general meetings of shareholders, among others, for easy understanding and comparison.
- 

VIP is a trustworthy partner for a firm to prepare a productive general shareholders meeting.

Firms can check institutional investors' stewardship code implementation status and voting trends so they can table agenda items that can earn the confidence of more shareholders.
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Firms and shareholders may engage in an effective dialogue based on mutual understanding.

Through VIP, shareholders and firms can enhance their understanding of each other with regard to their respective state of play, philosophy, strategy, and stance in an effective manner. Enhanced mutual understanding and dialogue build a partnership between the two sides.



**Korea Institute of Corporate
Governance and Sustainability**



Korea Institute of Corporate Governance and Sustainability

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