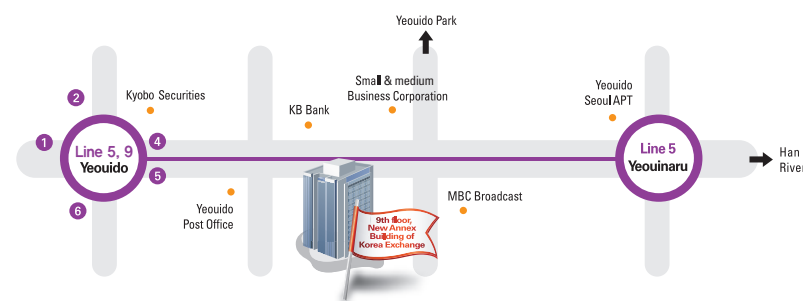


CORPORATE GOVERNANCE SERVICE

Toward Sustainability



The best ESG rating, proxy advisory and research institution in Asia

Toward Sustainability

Vision

Korea Corporate Governance Service (KCGS) was established in June 2002 as a non-profit organization by member organizations including Korea Exchange, Korea Financial Investment Association, Korea Listed Companies Association, and KOSDAQ Listed Companies Association.

KCGS provides various professional services including ESG evaluation, Proxy advisory, Socially Responsible Investment advisory, and Sustainability Reporting advisory services to help companies find strategies for sustainable growth and build a better society by promoting a strong capital market.

KCGS will take on an important role as the best ESG research institute fostering robust corporate governance and corporate social responsibility.

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“KCGS will serve as a solid leader, advancing corporate governance in Korea”



Since KCGS's founding in 2002, it has been driven by a strong sense of responsibility and commitment to serve as a solid leader advancing corporate governance in Korea. The corporate governance evaluation carried out by KCGS every year, has played a critical role in encouraging companies to voluntarily improve governance and contributed to the early adoption of shareholder-focused management practices.

Since 2011, KCGS has expanded its role, embracing corporate environmental and social responsibility as new elements of corporate evaluation. As part of efforts to enhance Corporate Social Responsibility (CSR) awareness and encourage responsible corporate activities, we provide advisory services on sustainability reports. We also offer proxy advisory services, and carry out related research on corporate governance and CSR issues.

CSR and Socially Responsible Investment (SRI) have emerged as important issues in Korea and around the world, attracting growing interests and debate among corporations, investors, policy makers, and academics. Corporations are now prepared to enhance SRI or sustainability management as a valid tool to increase the long-term profit and competitiveness as stakeholders including consumers, environmental and social civic groups, and the media exert greater influence on corporate management.

In developed economies, as in the U.S.A. and Europe, CSR is now considered one of the most important factors in financial investment decisions. In line with this trend, companies need to incorporate CSR elements like human rights, labor issues, and environmental policies into their management practices. Efforts to promote CSR are rapidly spreading across the globe, and global initiatives such as the UN Principles for Responsible Investment (UN PRI), ISO 26000, and the UN Framework Convention on Climate Change (UN FCCC), attest to the increasing importance of CSR in corporate management. These global trends indicate that CSR is becoming a new element in the managerial framework maximizing long-term value for firms and their shareholders through socially responsible corporate governance.

We are strongly committed to assisting companies in improving their corporate governance and delivering social responsibility so they can meet global standards, while they incorporate unique features of the Korean corporate culture into their governance practices.

We ask for your continued interest in and support of our future endeavors.

Korea Corporate Governance Service

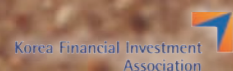
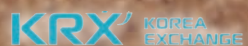
President Kyung-Suh Park

A handwritten signature in black ink, appearing to read 'K. Park', written over a light blue background.

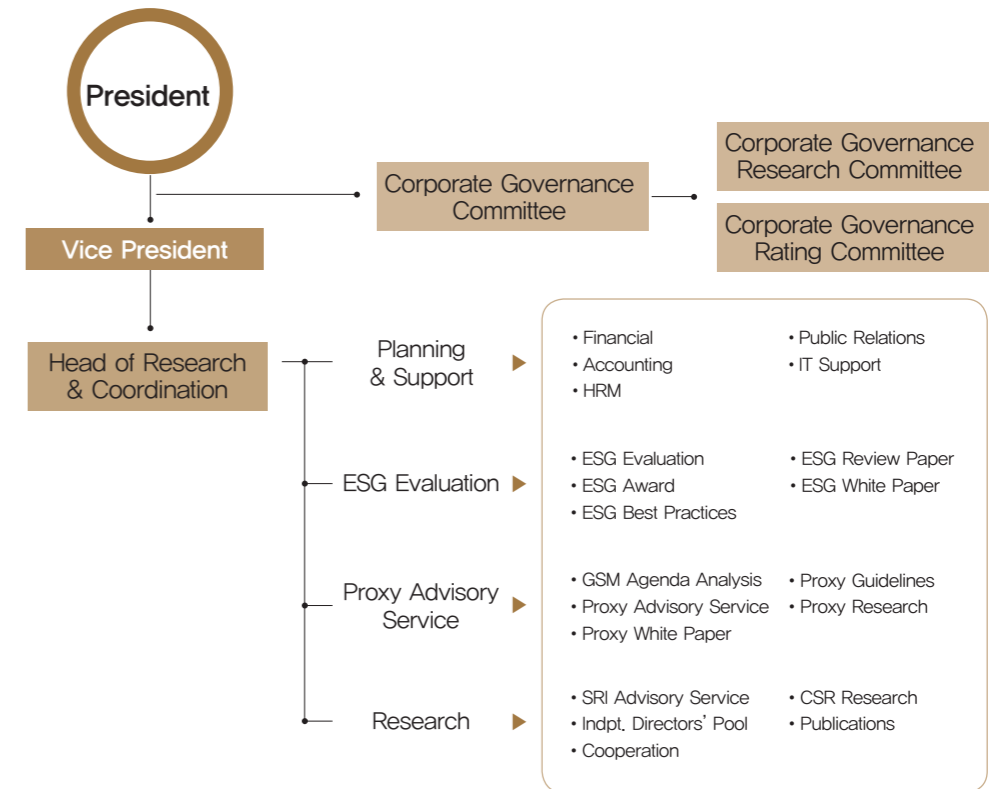
The best ESG rating, proxy advisory and research institution in Asia



Member Organizations



<< Organization



<< Committees

Corporate Governance Committee

The committee advises KCGS in adopting and revising corporate governance principles, and comprises experts with extensive academic knowledge and practical work experience from various fields such as the environment, social study, finance, securities, and law.

Main functions

- Adoption and revision of the ESG Code of Best Practices
- Review of ESG awards criteria
- Selection of companies with outstanding ESG performance
- Review of CGS Proxy Voting Guidelines

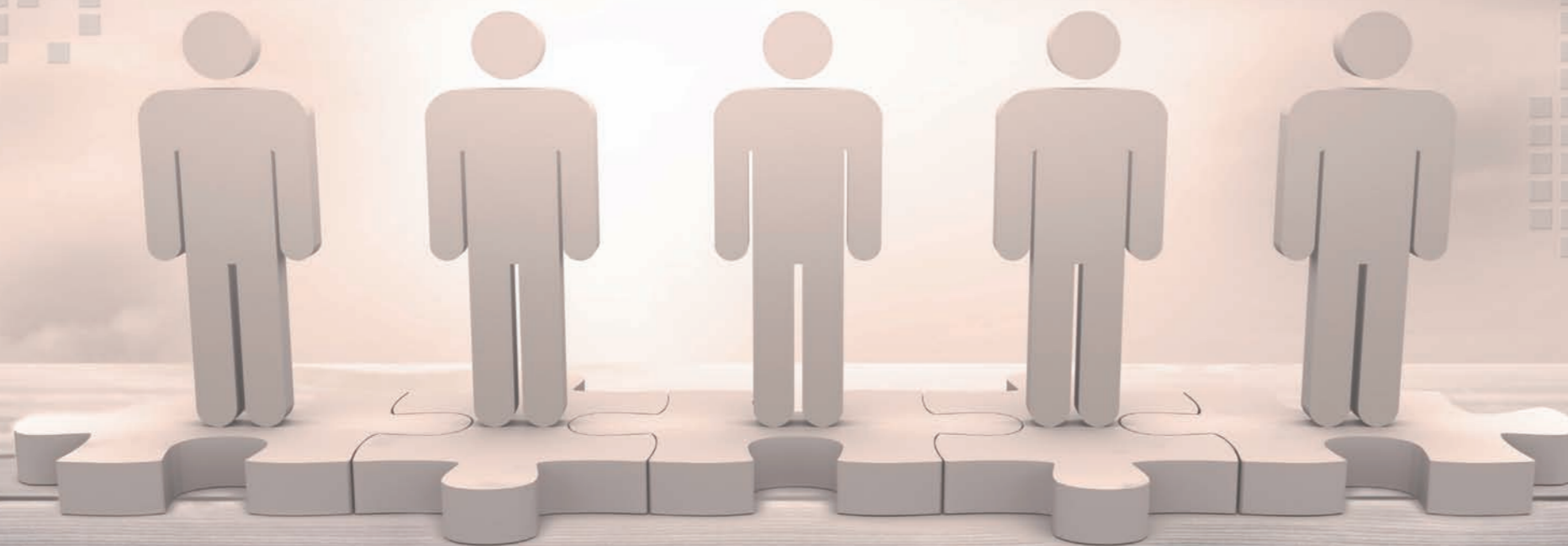
Corporate Governance Research Committee

This sub-committee provides academic advice on issues of corporate governance and CSR in Korea.

Corporate Governance Rating Committee

The committee reviews and rates the ESG performance of listed companies based on ESG evaluation results during a designated year.

Sustainable growth for corporations Building a fair and transparent society



Code of Best Practices

- Corporate Governance
- Corporate Social Responsibility
- Corporate Environmental Responsibility
- Guidelines

ESG Evaluation

- Assessment of Listed Companies
- Best ESG Awards
- ESG Database
- Provision of Information for KRX SRI Indices Composition

Proxy Advisory Service

- AGM Agenda Analysis
- Shareholder Proposals Consulting
- Voting Guidelines Consulting
- Corporate Governance Information, Regulatory Changes, etc.

CSR Research and Consulting

- SRI advisory service
- Independent Directors' Pool
- Knowledge Sharing and Research Cooperation
- Research

Code of Best Practices

Korea Corporate Governance Service develops and provides its 'Code of Best Practices for Corporate Governance', 'Code of Best Practices for Corporate Social Responsibility', and 'Code of Best Practices for Corporate Environmental Responsibility' to guide companies to voluntarily improve their ESG practices.



Code of Best Practices for Corporate Governance

In 1999, KCGS introduced its 'Code of Best Practices for Corporate Governance' to enhance corporate transparency and accountability which help companies maximize corporate value. The code was revised in 2003 to reflect global trends on corporate governance. The code consists of 5 sections: shareholders, board of directors, audit, stakeholders, and market for corporate control. Each section provides guidance for robust corporate governance. The code has made a significant contribution to the enhancement of corporate governance for listed companies in Korea.



Code of Best Practices for Corporate Social Responsibility

As Corporate Social Responsibility (CSR) has become an important factor in making investment decisions in the global capital market, KCGS developed its 'Code of Best Practices for Corporate Social Responsibility' in 2010 to provide companies CSR guidance which meets global standards, and fits the local business environment of Korea.

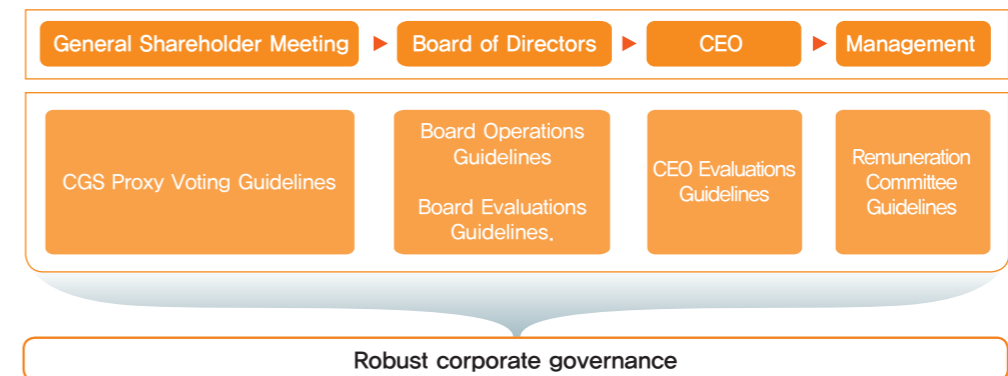
Code of Best Practices for Corporate Environmental Responsibility

Global concerns on corporate activities affecting the environment have been on the increase, and companies have begun to recognize that environmental management is one of the key factors in sustainable growth. To follow this trend, KCGS developed its 'Code of Best Practices for Corporate Environmental Responsibility' to provide companies guidance on environmental management. The code consists of 4 major subjects of environmental management including planning, execution, output management, and communication with stakeholders.

Guidelines

KCGS also provides specific guidelines on board operations and evaluation to encourage companies to adopt best practices.

The 'CGS Proxy Voting Guideline' is useful for institutional investors in exercising their voting rights. Companies can improve board effectiveness with the help of 'Board Operations Guidelines' and 'Board Evaluations Guidelines'. The remuneration of directors and executive officers, including CEOs, is one of the most important factors in increasing long-term corporate value. 'CEO Evaluations Guidelines' and 'Remuneration Committee Guidelines' are published to help companies design an effective compensation plan for directors and executives.



ESG Evaluation

Environmental, Social and Governance (ESG) evaluation is a means of measuring corporate sustainability by closely analyzing ESG risk and performance.

Korea Corporate Governance Service has evaluated the corporate governance of listed companies in Korea to build strong corporate stewardship starting from 2003. Based on this experience, KCGS has launched comprehensive ESG evaluation from 2011.

ESG evaluation is a valuable tool for companies seeking to incorporate ESG factors into their crucial decision making processes, and as a framework for corporate engagement and sustainability.



TRUSTMARK

This emblem was created to promote SRI and corporate responsibility in the Korean capital market. The rating symbol represents the accountability of KCGS which provides fair and reliable evaluation.

<< Characteristics of ESG Evaluation

Fair

- An objective and fair assessment based on the ESG evaluation model developed by KCGS which has experience in evaluating corporate governance since 2003

Integrated

- An optimized 'ESG evaluation model' for Korean business environment based on international standards like ISO 26000, Korean regulations, and KCGS's code of best practices

Interactive

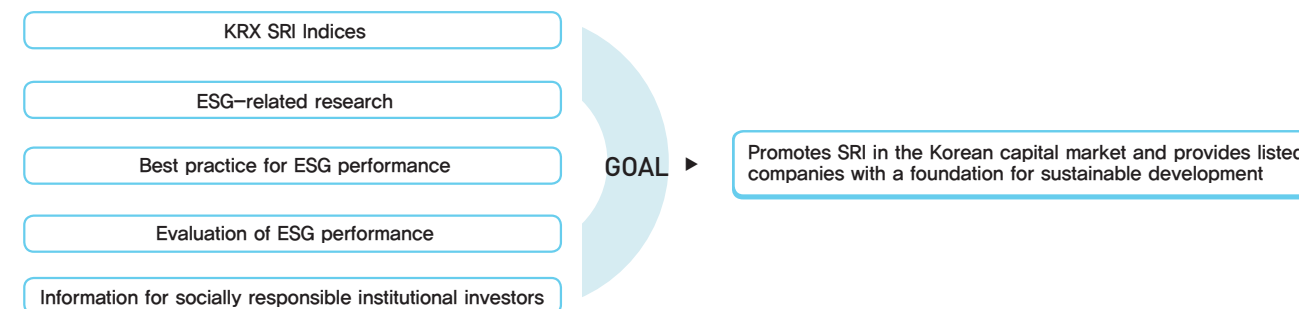
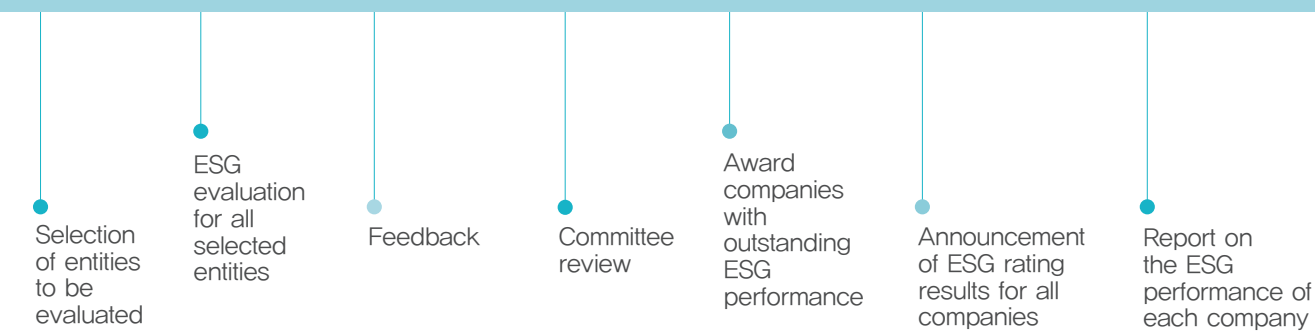
- An interactive, feedback-inclusive evaluation supporting a more balanced evaluation process and improving the reliability of results

Promotive

- An assessment promoting Korean companies' awareness of the importance of sustainability activities by awarding companies with outstanding performance and announcing individual companies' ESG ratings results

<< Evaluation process

EVALUATION PROCESS



<< Key Metrics

Environmental

- Environmental Strategy : Tone at the top, Environmental Management Strategies and Policies, Eco-friendly Corporate Culture and System
- Environmental Organization : Setting Goals for Eco-friendly Management, Environmental Accounting and Auditing, Management of Environmental Outcomes
- Environmental Management Practices : Green SCM, Eco-friendly Production, Environmental Risk Management, Environmental Management
- Environmental Outcomes : Resources, Climate Change, Responses to Pollution and Regulations, Eco-friendly Products and Services
- Communication with Stakeholders : Environmental Management Reporting and its Feedback

Social

- Employees : Employment and Working Conditions, Labor-Management Relationships, Health Care and Safety in the Workplace, HR Development, Fundamental Rights in the Workplace
- Fair Operating Practices : Fair Trade, Anti-Corruption, Promotion of Suppliers' CSR
- Consumers : Fair Trade, Consumer Health and Safety, Consumer Data Protection, Communication with Consumers
- Local Communities : Participation in and Contributions to the Community, Community Communications

Governance

- Shareholders Rights : Protection of Shareholder Rights, Accessibility to Exercise of Shareholder Rights, Ownership Structure, Related Party Transactions
- Board of Directors (BOD) : BOD Composition, BOD Operation, Evaluation and Compensation
- Disclosure : Mandatory Disclosure, Website Disclosure
- Audit Systems : Internal Audit System, External Auditors
- Profit Sharing : Shareholder Dividends

<< Application

KRX SRI Indices

Provides ESG data for the KRX SRI, SRI Governance, and SRI Eco composition

ESG-related research

Provides accumulated ESG data for research related to corporate sustainability

Best practices for ESG performance

Promotes ESG performance of listed companies by awarding companies with outstanding ESG performance

Evaluation of ESG performance

Encourage listed companies to enhance sustainability management by helping companies understand the state of their performance

Information to socially responsible institutional investors

Provides information to institutional investors seeking to incorporate ESG factors into their decision making process



Fair, Integrated, Interactive and Promotive



Proxy Advisory Service

Institutional investors have a fiduciary responsibility to employ voting proxies in a manner that is in the best interests of their beneficiaries. As institutional investors gain greater prominence in the equity market, many people have come to believe that they have characteristics which would not only make it especially likely for them to take an active role in monitoring corporate affairs, but also ensure that their oversight would have a positive impact on these affairs.

Once institutional investors begin to enjoy greater engagement over corporate governance, they will shed the focus on short-term profits that has plagued the Korean capital market. They will then act with their 'voice', rather than using 'exit' power.

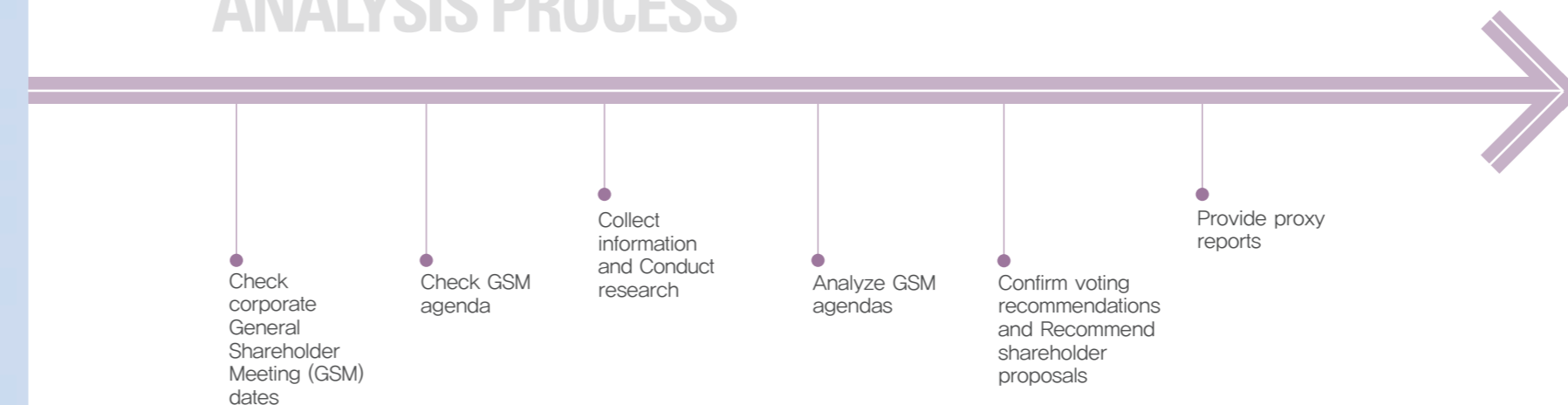
KCGS helps institutional investors execute their fiduciary responsibilities with respect to proxy voting. KCGS analyzes proxy materials and provides voting recommendations to institutional investors. These activities are based on the 'CGS Proxy Voting Guidelines'. KCGS develops its proxy voting guidelines in consideration of its corporate governance principles to, among other things, encourage board accountability, link executive pay to performance, and promote shareholder rights.

<< Characteristics of Proxy Advisory Services

- Independent : As a non-profit organization, KCGS provides services in an independent and objective manner without conflicts of interests
- Transparent : KCGS is the only proxy service provider that discloses proxy voting guidelines developed by corporate governance experts
- Fair : KCGS provides clients with well-organized proxy voting guidelines that comply with proxy voting policies and proxy advisory services by higher standards of professional ethics
- Professional : Our services are implemented by market-leading professionals with over 10 years of experience in corporate governance evaluation and research

<< ANALYSIS PROCESS

ANALYSIS PROCESS

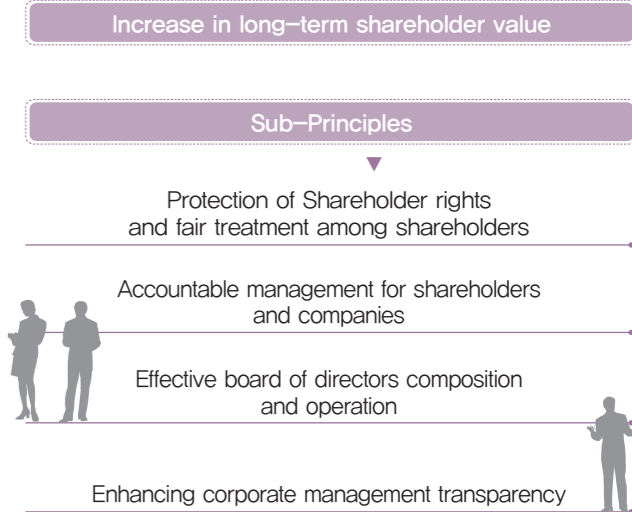


<< KCGS Proxy Advisory Services

- Analysis of shareholder meeting agenda and support for responsible investment
- Research of corporate governance information and recent regulatory changes.
- Consultation on engagement in management and shareholder proposals
- Consultation on developing and revising proxy voting guidelines for institutional investors



<< Key Principle



<< Service Coverage

Our service covers all the listed companies in Korea. In 2013, proxy reports for 400 companies were delivered at client request.



KCGS Proxy Advisory Services help...

- Improve corporate governance and increase shareholder value
- Support institutional investors to fulfill the fiduciary duty
- Support individual investors to exercise voting rights
- Monitor corporate management and lead them to accountable management

Independent, Transparent, Fair and Professional



CSR Research and Consulting

In addition to ESG evaluation and proxy advisory service, KCGS delivers services that can enhance both corporate sustainability and transparency. We provide a SRI advisory service which promotes corporate sustainability, and manage an Independent directors' pool to amplify the beneficial effects of the independent director system.

KCGS shares a wide range of information on Korean and global governance issues and engages in co-research with other institutions to make good use of both scholars and practitioners.

<< SRI Advisory Service

SRI is an investment strategy pursuing the dual goals of financial return and social good. For this purpose, SRI takes a long-term perspective to consider not only financial performance but also nonfinancial factors like the environment, human rights, anti-corruption, and transparency in corporate governance.

SRI Trend

Originally emerging in European countries, SRI has been significantly gaining importance in the 21st century throughout the global market. In Korea, the SRI market has also been growing continuously, mainly led by the National Pension Service.

SRI Characteristics

SRI analyzes qualitative corporate factors including ESG, to evaluate nonfinancial outcomes. The role of professional institutions that offer extensive ESG data and SRI strategies is becoming increasingly critical for successful SRI.

KCGS Service

KCGS provides a range of specialized services based on in-depth and distinguished experience and skills accumulated for over a decade.



<< Independent Directors' Pool

In the way of building a robust corporate governance, the independent director system was introduced in 1998. However, the system is prone to criticism in that independent directors are not, in fact, independent from the largest shareholders or management. As a result, independent directors form a so called 'rubber stamp', and cannot fulfill their duty as management monitor. The main problem is lack of transparency in the process of searching and nominating suitable director candidates.

To resolve the problem, KCGS and Korea Listed Companies Association signed an MOU to jointly operate the Independent Directors' Pool.

Objectives & Desirable Outcomes

The Independent Directors' Pool is a unique tool guaranteeing transparency and fairness in the process of nominating director candidates. It aims to improve corporate governance by nominating and electing suitable persons as independent directors.

KCGS Service

The Independent Directors' Pool is a database including detailed information on director candidates. With the pool, listed companies, financial companies, state-owned institutions, and investors can find appropriate candidates with the required skills, experience and other qualifications.

KCGS recommends and verifies independent director candidates for the categories below.

Listed companies, including financial institutions



Companies penalized for wrongdoing



National Pension Fund exercising shareholder rights



State-owned institutions and companies



Institutional investors and minority shareholders

<< Knowledge Sharing and Research Cooperation

KCGS promotes internal and external knowledge sharing and diverse forms of business cooperation. As a part of its efforts to improve the capital market and enhance investor protection, KCGS signed an MOU with NICE Group on October 7th, 2013, and both entities are now cooperating on information exchange and co-operative research.

Objectives & Desirable Outcomes

Recently, discussions on the link between corporate credit ratings and corporate governance have accelerated. The importance of corporate governance on corporate credibility has also increasingly earned recognition.

KCGS and NICE Group have agreed to share knowledge and conduct co-operative research on corporate credit ratings and corporate governance so that corporations can improve both their credit rating system and corporate governance practice. This cooperation will contribute to the advancement of the capital market and shareholder protection by providing more transparent, reliable, and accurate information to the market on corporate credit ratings and ESG ratings.



KCGS President Kyung-Suh Park (Left), NICE Group CEO Sang-Kwon Lee (Right)



<< Research

KCGS has been conducting professional research on corporate governance and CSR issues for over 10 years, with an in-depth and broad perspective.

Research services

KCGS shares research outcomes through the publication of the CG Review and CGS Report. Furthermore, we expect to make a substantial contribution to policy developments through in-depth research, as indicated below:

- 2012.10.** 'Developing an environmental information verification manual' (Korean Environmental Industry and Technology Institute)
- 2011.12.** 'Measuring the 'Social responsibility' aspects of the National Pension Fund portfolio' (National Pension Service)
- 2010.07.** 'Integrating 'Internal control Validation' aspects into the KRX SRI Index' (Korea Exchange)
- 2009.12.** 'Improving the investor protection system to stimulate corporate capital procurement' (Ministry of Strategy and Finance)
- 2007.12.** 'Developing a corporate transparency measurement system' (Anti-corruption and Civil Rights Commission)
- 2006.08.** 'Evaluating an internal & external corporate monitoring system' (Fair Trade Commission)

Annual Seminars

KCGS is eager to discuss and share opinions on corporate governance and CSR issues from academics, practitioners, and policy makers through its annual seminars. We believe that annual seminars are a great opportunity to understand global trends concerning CSR and SRI, and to find the best ways to move forward.

Database

The extensive historical data that KCGS has accumulated through ESG evaluation and proxy analysis is used for academic research and policy developments. This data has already made a significant contribution to practical research which helps regulatory changes and corporate practice improvement.

Moreover, KCGS provides a database of corporate sustainability reports on its website so that investors and stakeholders can easily locate and compare the reports they are seeking. This database aims to improve the quality of sustainability reports through stakeholders feedback.



Corporate Governance Review

KCGS publishes this bi-monthly periodical for listed companies and investors with the aim of raising social awareness and interest in corporate governance and CSR. It contains comprehensive information from corporate governance and CSR research and analysis.

CGS Report

This is a bi-weekly periodical that provides timely updated information on corporate governance and CSR. It comprises four sections : opinion, recent trends, news, and a conference and event list.



- 2012.10 Corporate Governance White Paper 2012
- 2006.12 Corporate Governance White Paper

- 2010.12 Code of Best Practices for Corporate Environmental Responsibility
- 2010.12 Code of Best Practices for Corporate Social Responsibility
- 2003.02 Revised Code of Best Practices for Corporate Governance
- 1999.09 Code of Best Practices for Corporate Governance



- 2012.03 CGS Proxy Voting Guidelines
- 2008.02 Board Operations Guidelines, Remuneration Committee Guidelines
- 2007.02 Board Evaluations Guidelines, CEO Evaluations Guidelines
- 2004.05 Proxy Voting Guidelines for Institutional Investors



- 2002. 06 KCGS established
Gwang-Sun Jung appointed first president
- 2003. 09 Hosted Seminar
(Roles of Korea Exchange and KOSDAQ Stock Market for Better Corporate Governance)
- 2003. 12 Hosted Symposium
(Analysis of Corporate Governance Practices and Future Steps)
- 2004. 02 Hosted Symposium
(Promotion of Exercise of Voting Rights by Institutional Investors)
- 2004. 11 Hosted Symposium
(Use of Corporate Governance Evaluation Data)



- 2005. 04 Sang-Gu Nam appointed second president
- 2005. 09 Hosted International Symposium
(Relationship between Control Rights and Corporate Governance)

2002~2005

- 2005. 04 Sang-Gu Nam appointed second president
- 2005. 09 Hosted International Symposium
(Relationship between Control Rights and Corporate Governance)
- 2006. 09 Hosted International Symposium
(Corporate Governance and Model Board of Directors)
- 2007. 10 Hosted International Symposium
(Emerging Markets & Corporate Governance Fund)



- 2008. 06 Hosted ICGN 2008 Annual Conference and Annual General Meeting
- 2008. 12 Hosted Symposium
(Roles and Responsibilities of Institutional Investors)
- 2009. 07 Joined UN Global Compact
Joined UN PRI (Principles for Responsible Investment)
- 2009. 09 Developed SRI Index with the Korea Exchange
- 2009. 12 Hosted International Symposium
(Ways to Promote Sustainability Management for Listed Companies)

2006~2009



- 2010. 06 Byong-Ho, Kang appointed third president
- 2010. 11 Hosted Seminar
(Ways to Improve Corporate Governance in Financial Companies)
- 2011. 07 Developed and Announced ESG evaluation
- 2011. 12 Hosted International Symposium
(Fiduciary Capitalism and Shareholder Rights)
- 2012. 02 Launched Proxy Advisory Service
- 2012. 07 Launched SRI Advisory Service
- 2012. 10 Hosted International Symposium
(Challenges and New Directions for Annual General Meeting Advancement)

2010~2012



- 2013.05 Signed an MOU with Korea Listed Companies Association
(Co-operation of the Independent Directors' Pool)
- 2013. 06 Kyung-Suh Park appointed fourth president
- 2013.10 Signed an MOU with NICE Group
- 2013. 11 Hosted Seminar
(Balancing Shareholder Rights and Management Rights for a Better Capital Market)

2013

Move Forward

In the last decade, KCGS has been serving as a cornerstone in improving corporate governance of the Korean companies. KCGS will continue to lead the way to build a fair and transparent society.