



Press Release

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2020 2nd ESG Rating Adjustment

On April 6, 2020, Korea Corporate Governance Service(KCGS) held the year's second ESG Rating Committee meeting and downgraded the Environmental(E), Social(S), and Governance(G) grades of 10 companies. The negative adjustments are based on the added ESG risk identified during January ~ March 2020 after the agency's first rating adjustments in January 2020. KCGS's ESG grades, both individual and integrated, include S, A+, A, B+, B, C, and D. Previously in January 2020, the rating agency adjusted 19 companies' grades (environmental for 1 company, social for 10, and governance for 8).

In the 2020 2nd adjustment, one company saw its E grade drop due to added E risk, and eight and two companies saw their S and G grade downgraded, respectively*. Due to the adjustment of the individual E·S·G grades, five firms saw their ESG integrated grade drop by one notch. For enhanced timeliness of its ESG rating grades, KCGS raised the adjustment frequency from semi-annually to quarterly, effective from 2020. According to the new schedule, the next rating adjustments will be conducted in July.

* A firm is counted both under environmental and social category.

Appendix: Summary of 2020 2nd ESG Rating Adjustment

※ Go to <http://www.cgs.or.kr> for KCGS press releases.

< Summary of 2020 2nd ESG Rating Adjustment >

	Name of Company	Issue	E		S		G		Integrated	
			old	new	old	new	old	new	old	new
1	Lotte Chemical	An explosion occurred at its Daesan plant.	B	C	A+	A			B+	B
2	Shinhan Financial Group	Shinhan Bank and Shinhan Investment Corp. involved in the Lime Asset crisis (suspension of fund redemption)			A	B+				
3	Hyundai Steel	A worker died in a safety accident at its plant in Pohang.			A+	A			A	B+
4	BGF Retail	A penalty of KRW1.6 billion imposed for violation of the Act on Fair Transactions in Large Retail Business			A	B+			B+	B
5	Ssangyong Cement Industrial	A subcontractor worker killed from falling			A	B+				
6	Daishin Securities	FSS investigation and prosecutors' search over 'incomplete sales' of Lime Funds			B+	B			B+	B
7	KT	A worker died at the construction site to build a new KT Data Center.			B+	B				
8	PanOcean	A trainee from Korea Maritime & Ocean University died during his onboard training.			B	C			B+	B
9	Shinhan Investment Corp.*	Investigated by prosecutors on charges of concealing losses and fraud relating to trade finance funds	-	-	-	-	B+	B	-	-
10	Shinhwa Silup Co., Ltd.	Former and current executives and staff members indicted by prosecutors on charges of embezzlement (approx. KRW8.5 billion)					C	D		

* Shinhan Investment Corp. is a non-listed financial company, and is not rated for environmental and social performance.

※ Go to <http://www.egs.or.kr/> for the grades of the individual companies.