

## **Q1 2020 ESG Rating Adjustment**

On January 28, 2020, Korea Corporate Governance Service(KCGS) held an ESG Rating Committee meeting and downgraded the Environmental(E), Social(S), and Governance(G) grades of 19 companies. The negative adjustments are based on the added ESG risk identified after the 2019 regular rating activity. KCGS's ESG grades, both individual and integrated, include S, A+, A, B+, B, C, and D. Previously in October 2019, KCGS held a ESG Rating Committee meeting to assign E·S·G grades to 875 listed firms and G grades for 48 non-listed financial companies.

In the Q1 2020 adjustment, one company saw its E grade drop due to added E risk, and ten and eight companies saw their S and G grade downgraded, respectively. Due to the adjustment of the individual E·S·G grades, seven firms saw their ESG integrated grade drop by one notch.

For enhanced timeliness of its ESG rating, KCGS raised the adjustment frequency from semi-annually to quarterly. Through the sophistication of the rating system, KCGS will continue its endeavor to help domestic firms enhance their ESG practices and raise awareness of sustainability on the part of the market and firms. Further adjustments will follow in April and July.

Appendix: Summary of Q1 2020 ESG Rating Adjustment

※ Go to [http://www.cgs.or.kr/eng/news/press\\_list.jsp](http://www.cgs.or.kr/eng/news/press_list.jsp) for KCGS press releases.

## &lt; Summary of Q1 2020 ESG Rating Adjustment &gt;

	Name of Company	Issue	E		S		G		ESG Integrated	
			old	new	old	new	old	new	old	new
1	SAMSUNG C&T CORPORATION	Former and current executives and employees were sentenced to jail terms for attempting to break up a labor union at Everland, an amusement park run by Samsung			A+	A			A+	A
2	KB Financial Group	The Financial Supervisory Service(FSS) issued an institutional warning to KB Kookmin Bank. At the bank's 503 branches (47.8% of the total), certain derivative products were sold by unqualified personnel.			A+	A			A+	
3	Lotte Shopping Co., Ltd.	The Korea Fair Trade Commission(KFTC) imposed a corrective order and penalty worth KRW41.2 billion for violating the Act on Fair Transactions in Large Retail Business.			A+	A			A	
4	POSCO	Multiple issues in business environment (recurring explosions/fires such as an explosion at the Kwangyang plant, ethical issues surrounding subsidiary's overseas business partnership)			A	B+			A	
5	Korea Shipbuilding & Offshore Engineering Co., Ltd	A subcontracted worker of Hyundai Heavy Industries(split to Korea Shipbuilding & Offshore Engineering later) died in a safety-related work accident. KFTC imposed sanctions over unfair subcontracting practices.			A	B+			A	
6	Hankook Tire & Technology Co.,Ltd.	CEO Cho Hyun-Bum indicted on charges of breach of trust and embezzlement (around KRW900 million)					B+	B	A	B+
7	Hankook Technology Group	CEO Cho Hyun-Sik indicted on charges of embezzlement (around KRW100 million)					B+	B	A	B+
8	Daewoo Shipbuilding & Marine Engineering Co., Ltd.	A worker affiliated with a tertiary subcontractor died in a safety-related work accident (such deaths have continued since 2017)			B	C			B+	B
9	Samsung Electronics Co., Ltd.	Former and current executives and employees were sentenced to jail terms for Group-level obstruction of labor union activities.			A	B+			B+	
10	Ssangyong Motor Company	Reinstatement postponed for an indefinite period as for the dismissed workers affiliated with a certain labor union			B+	B			B+	B
11	Korea Electric Power Corporation	1,277ha of forest land lost due to fire in Goseong and Sokcho and failure to properly manage utility poles	B+	B					B+	

	Name of Company	Issue	E		S		G		ESG Integrated	
			old	new	old	new	old	new	old	new
12	HanWha Life Insurance Co., Ltd.	FSS issued a management attention for lacking internal controls against sponsoring controlling shareholder and troubled affiliates.					B+	<b>B</b>	B+	
13	KEC CORPORATION	Correction recommended by the National Human Rights Commission of Korea over gender discrimination in employment. Ongoing labor management conflicts			B	<b>C</b>			B	
14	HANJIN TRANSPORTATION CO., LTD.	KFTC imposed sanctions against 5 unreasonable collaborative acts.			B+	<b>B</b>			B	
15	NATURECELL CO.,LTD.	CEO and executives sentenced to a severe punishment on charges of manipulating stock price (CEO Ra Jeong-Chan sentenced to 12 years in jail and KRW30 billion in fine)					C	<b>D</b>	C	<b>D</b>
16	JENAX Inc.	CEO indicted for falsely recording some of the sales generated in a transaction with a related party (28.8% of the annual sales)					C	<b>D</b>	C	<b>D</b>
17	HYOSUNG CORPORATION	Chairman Cho Suck-Rai and Cho Hyun-Joon sent to the prosecutor's office on charges of embezzlement (for using corporate funds to pay personal criminal litigation costs)					C	<b>D</b>	C	
18	Kyongnam Bank	FSS issued an institutional warning for excess interest worth KRW2.3 billion owing to the erroneous computation of interest rates.					A	<b>B+</b>	-	
19	KB Kookmin Bank	An institutional warning issued by FSS. At the bank's 503 branches (47.8% of the total), certain derivative products were sold by unqualified personnel.					A	<b>B+</b>	-	

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