

KOREA INSTITUTE OF CORPORATE GOVERNANCE AND SUSTAINABILITY

KCGS ESG Ratings Methodology

February 2026

This is an English translation of the selected pages of the original Korean text. The translation is provided for convenience only and the Korean version should prevail in the event of any inconsistencies between the two language versions.

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01

ESG Ratings Overview

01. ESG Ratings Overview

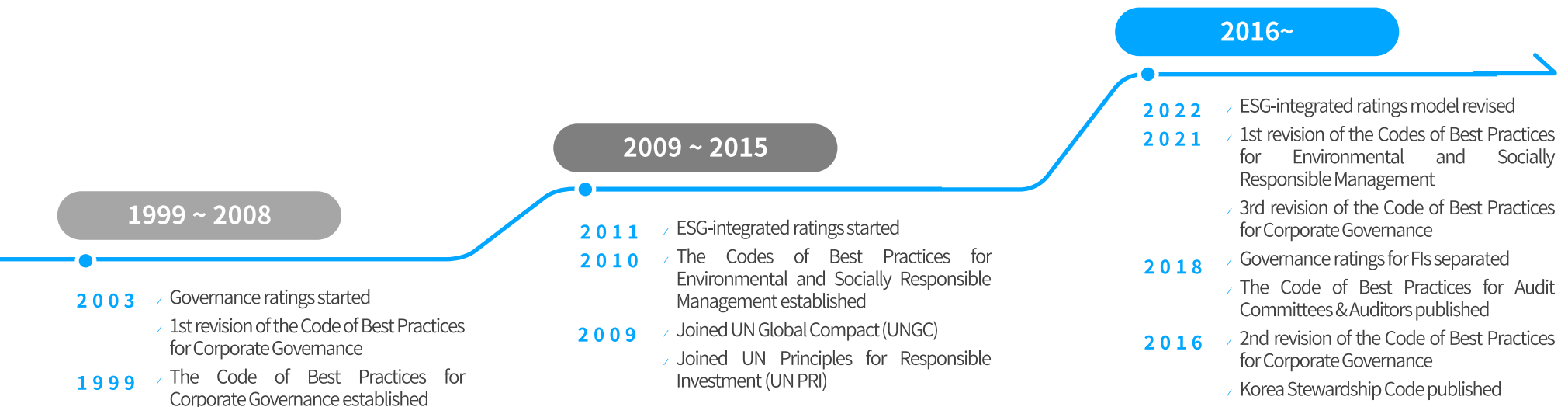
History of KCGS ESG Ratings

- **(Code of Best Practices)** KCGS established and published the ESG Codes of Best Practices that present a direction for desirable practices for environmental management, socially responsible management, and corporate governance from a future-oriented perspective.

The Code of Best Practices for Corporate Governance was established in 1999 and revised for the third time in 2021. The Codes of Best Practices for Environmental and Socially Responsible Management were each established in 2010 and revised for the first time in 2021.

- **(ESG Ratings)** KCGS started governance ratings in 2003 based on its code of best practices and added environmental and social ratings in 2011, having conducted ESG-integrated ratings since.

KCGS separated governance ratings for financial institutions in 2018 and has built and operated a proprietary rating system consisting of environmental, social, governance for general issuers, and governance for financial companies.



01. ESG Ratings Overview

History of KCGS ESG Ratings

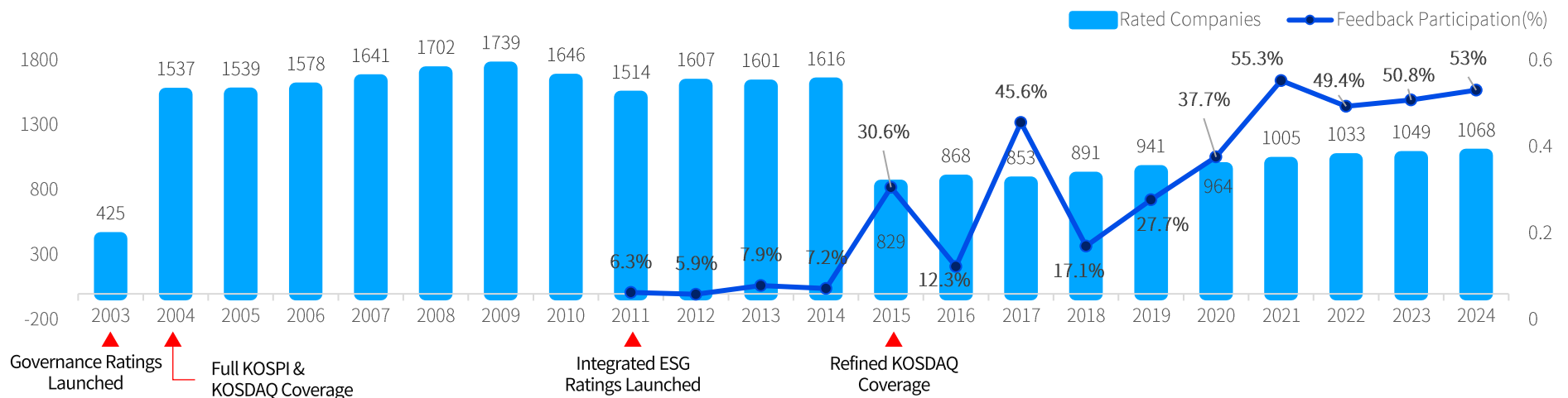
- (Coverage of ESG Ratings)** The ESG Ratings conducted by KCGS cover **all companies listed on the KOSPI, as well as selected KOSDAQ-listed firms**. In 2003, a pilot ESG rating was conducted for 425 companies. From the following year, the scope was expanded to include all KOSPI- and KOSDAQ-listed companies.

Since 2015, to enhance the effectiveness and relevance of the ESG Ratings, the coverage of KOSDAQ-listed companies has been limited to firms meeting specified size criteria. Accordingly, the number of companies subject to ESG Ratings increased from 829 in 2015 to 1,068 in 2024, reflecting a steady expansion of the assessment universe.

- (Participation in the ESG Ratings Process)** In 2011, KCGS introduced a formal feedback mechanism that allows rated companies to submit comments and supplementary information regarding the rationale and outcomes of the ESG Ratings. Since 2018, the participation rate in the feedback process has increased consistently, reaching 53% in 2024.

The volume of feedback submissions has also risen substantially, from 5,598 cases in 2019 to 43,029 cases in 2024, demonstrating a sustained increase in corporate engagement with the ESG Ratings process.

* Recent trend in feedback submissions: (2019) 5,598 → (2020) 7,408 → (2021) 12,362 → (2022) 21,967 → (2023) 42,611 → (2024.8) 43,029



01. ESG Ratings Overview

○ Purpose and Usage of KCGS ESG Ratings

- **(Purpose of Ratings)** Through ESG ratings, KCGS strives to improve the sustainability practices of companies and **provide external stakeholders with accurate information for judgment.**

Under the circumstances where shareholders, investors, external stakeholders, etc. have limited access to ESG information due to the lack of mandatory ESG disclosure, KCGS quantitatively measures and assesses the level of companies' alignment with best practices in order to **provide objective and reliable ESG information.**

- **(Usage of Ratings)** KCGS produces ratings data that are timely and comparable between companies and provides them for information users within capital markets (institutional investors, the government, domestic listed companies, capital market infrastructure, etc.).

KCGS publishes **ratings for individual areas and integrated ratings annually.** It also publishes **'adjusted ratings'** reflecting in the ratings the monitoring result of a company's material issue and ESG risk level every quarter, delivering them to external stakeholders.





02

Collection & Usage of ESG Ratings Data

02. Collection & Usage of ESG Ratings Data

Collection and Usage of Source Data

**Objectivity
&
Transparency**

KCGS collects data **relying on disclosed and publicly available materials** and explains the following to the firms if it needs to access the non-public information of rated companies inevitably for ESG rating purposes:

- ① KCGS cannot be provided with material information that is not disclosed or publicly available (information that may have a material impact on investors' investment judgment and that constitutes the material non-public information/information under Article 174 or 178-2 of the Financial Investment Services and Capital Markets Act).
- ② The data provided by companies are used for ESG rating and feedback purposes only.
- ③ KCGS becomes a receiver of fair disclosure information (referring to the "receivers of fair disclosure information" under Article 15(3) of the KOSPI Market Disclosure Regulation of KRX and Article 6(9) of the KOSPI Market Operational Guidelines on Fair Disclosure of KRX), and the pertinent companies may become subject to the disclosure obligation under the KRX regulations, etc.

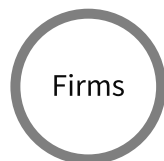
Verifiability

To secure data verifiability, KCGS collects verified materials, such as disclosures made by companies or public institutions. As for non-public information, KCGS receives the **'confirmation on the submission of evidence for feedback'** from rated firms to prevent ESG washing and checks excess changes in rated values, etc. through **cross-verification** with the rating results accumulated over the years.

**Methods of Data
Collection**

- Targeted data: Basic information about companies (name, industry, financial status, etc.), ESG management status (system, organization, activities, performances, etc.)
- Data collection methods: Research based on publicly available materials to ensure objectives and verifiable data research, collecting non-public information in a limited matter, if necessary

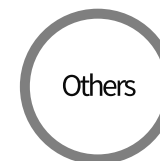
**Sources of Data
Collection**



- Disclosure systems provided by KRX, FSS, etc.
- Official company websites
- Published reports



- Public materials on sanctions, measures, and violations, etc.
- Relevant statutes
- Certifications

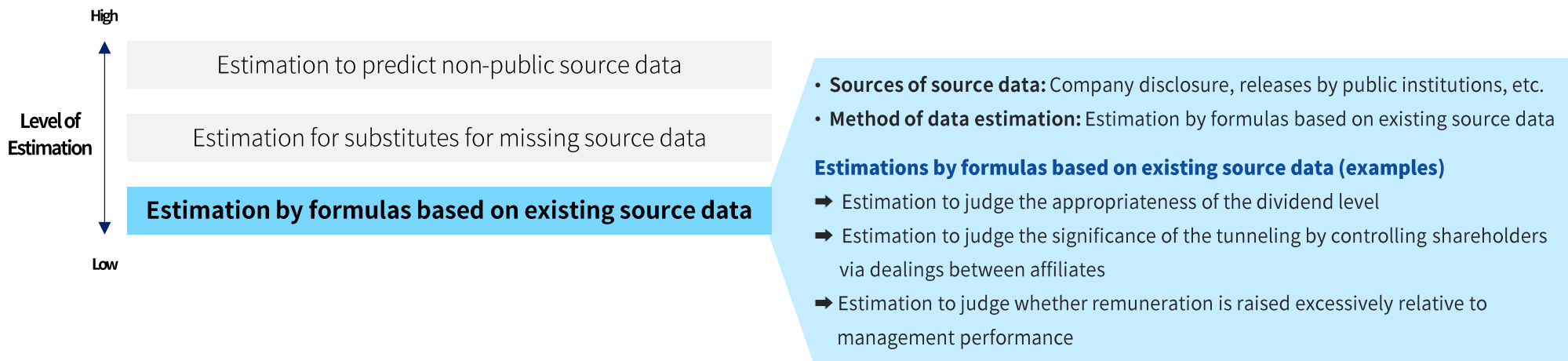


- News articles, broadcasts, press releases, etc.
- ESG ratings data from the previous year

02. Collection & Usage of ESG Ratings Data

○ Collection and Usage of Estimated Data

- **(Definition)** Estimated data refer to **the information or values that are produced by processing or editing collected source data for rating purposes** and do not include calculations such as simple sums and ratios.
- **(Purpose)** In the cases where it is hard to measure the ESG level of a company based on disclosed and publicly available source data only and to reflect such source data for relevant questions for assessment as they are, KCGS processes/edits the source data according to its rating criteria.
- **(Utilization)** The level of data estimation is divided into 1~3 stages broadly (see below). KCGS currently uses the 1st-stage ‘**estimation by formulas based on existing source data**’.
- **(Current Status)** As of today, KCGS does not use any estimated data for the assessment questions for E and S, while it uses estimated data for 3 out of 72 assessment questions for rating G of general issuers (**around 4.2%**) and 3 out of 112 for rating G of financial institutions (**around 2.7%**).



02. Collection & Usage of ESG Ratings Data

○ Disclosure of Source and Estimated Data

- KCGS discloses to rated companies the source data and estimated data used in its ESG Ratings and clearly specifies the sources of such data, with the aim of enhancing the objectivity of information and the credibility of rating outcomes.

○ (Questionnaire Guidance)

Through the Questionnaire Guidance, KCGS discloses, for each assessment indicator, the data items to be collected, definitions, verification points, and data sources, thereby strengthening objectivity and reliability.

Category	Board Leadership
Purpose of Assessment	-

Indicators	Definitions & Criteria	Data Sources
FY-1 Total Assets (KRW, thousands)	<ul style="list-style-type: none"> • FY-1 total assets as of the assessment year-end • Based on consolidated financial statements 	Audit report > Financial statements
Board – No. of directors	<ul style="list-style-type: none"> • Assessment based on the most recent annual report 	Annual report > Status of executives and employees, etc.
Board – No. of outside directors	<ul style="list-style-type: none"> • Assessment based on the most recent annual report 	Annual report > Status of executives and employees, etc.

Illustrative Example: Questionnaire Guidance

○ (Disclosure of Input Data)

KCGS discloses the input data applied to each assessment indicator derived from questionnaire responses, enabling companies to understand how their submitted data are reflected in ESG Ratings outcomes and enhancing verifiability.

Question

A. Example

B. Example

C. Example

– Input Data

- FY-1 Total Assets (KRW, thousands) : **1198209312**
- Board – No. of directors : **6**
- Board – No. of outside directors : **2**

Illustrative Example: Disclosure of Input Data



03

ESG Rating System

03. ESG Rating System

◉ Areas for ESG Ratings

- ◉ Based on its own ESG rating models, KCGS carries out rating activities in the four areas of environmental, social, governance for general issuers, and governance for financial institutions, and has customized and proprietary rating systems for each area.



Environmental

- A rating model reflecting climate change-related disclosures and other key environmental issues, aligned with global disclosure frameworks to address growing investor demand for climate-related financial information in global capital markets.



Social

- A rating model aligned with international standards and guidelines on socially responsible management, including global guidelines on non-financial information disclosure, ISO 26000, and the Code of Best Practices for Socially Responsible Management.



Governance

- A rating model that reflects the governance characteristics of domestic companies, while taking into account local laws and regulations, domestic corporate practices, the Code of Best Practices for Corporate Governance, and international standards for sustainable and sound corporate governance, such as the OECD Principles of Corporate Governance.



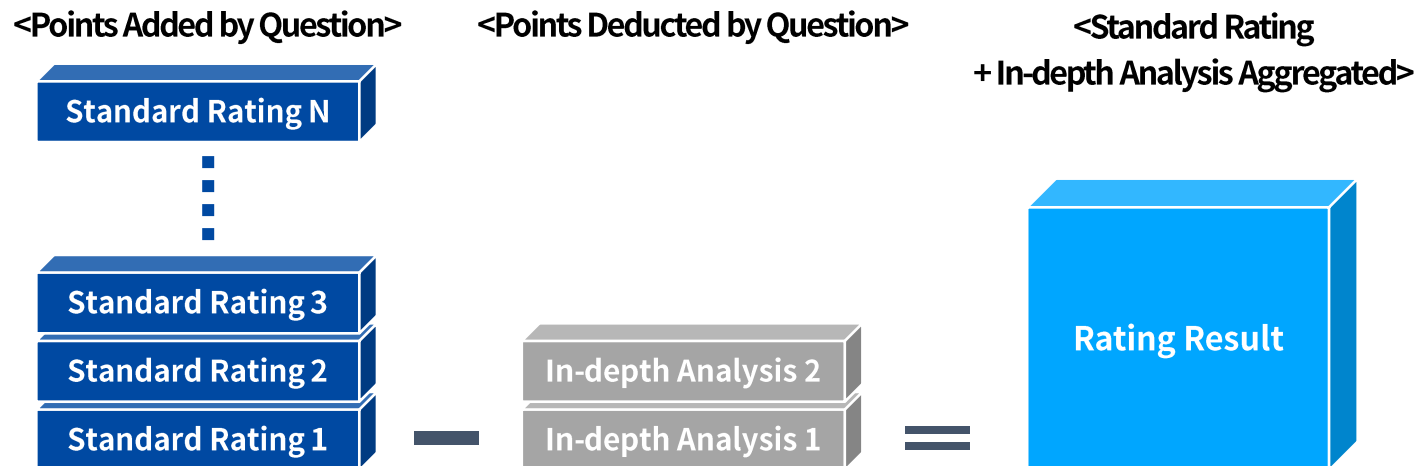
Financial Institution Governance

- A rating model specifically designed to assess the governance of financial institutions, aligned with international standards such as BCBS and FSB guidelines, while reflecting the characteristics of domestic financial institutions.

03. ESG Rating System

ESG Rating Methods

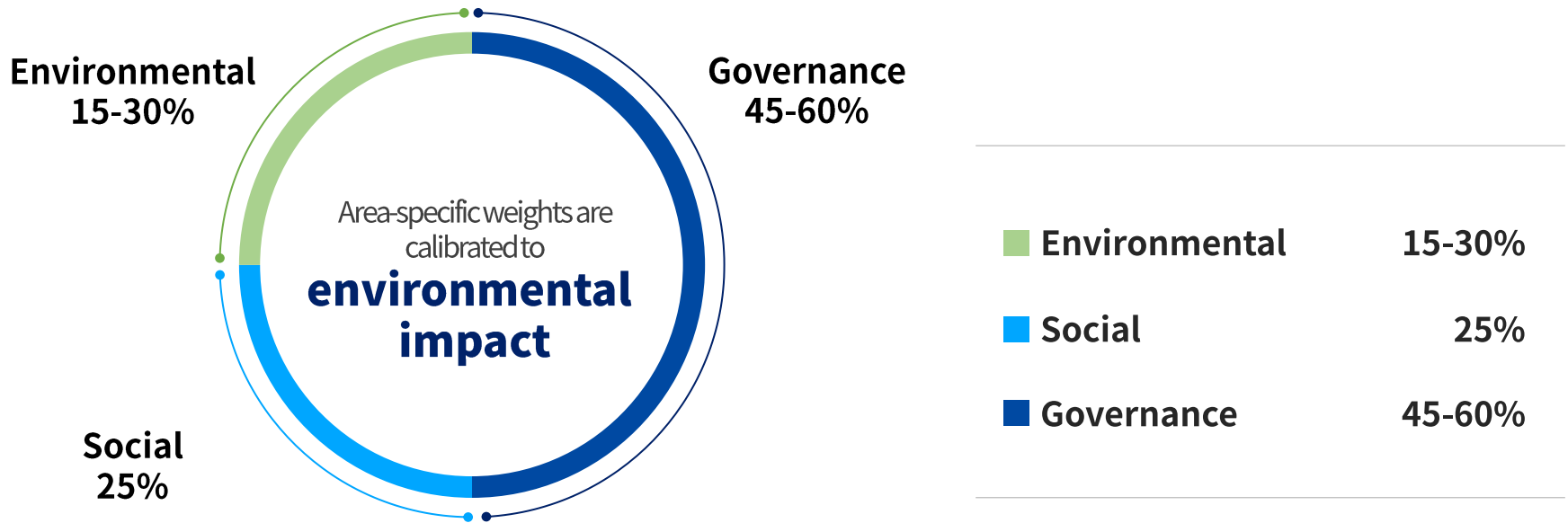
- (Standard Rating) Addition of points for positive ESG policies and activities, etc.** based on the measurement of business activities toward desirable ESG management and the level of systemization to minimize ESG risks such as through internal systems and regulations, among others.
 * (e.g.) Points added if an organizational system is in place and no points given if not
- (In-depth Analysis) Deduction of points in case of negative material issues (controversies) of companies,** such as legal/administrative sanctions and measures related to illegal acts and negative accidents/incidents accompanying ESG risks.
 * (e.g.) Points deducted if a material issue undermining firm value has occurred and N/A if not
- (Rating Results)** Points are accumulated as the standard rating progresses going through each assessment question, and points are deducted within the ‘point deduction limit’ over the in-depth analysis in case of any applicable issues relevant to each assessment question. The sum of added and deducted points becomes the rating result (score).



03. ESG Rating System

◉ ESG Weighting Framework

- ◉ KCGS determines area-specific weights based on a company’s environmental impact to derive an overall ESG rating.
- ◉ Environmental impact is assessed based on factors such as industry classification, production facilities, and environmental pollutant emissions, with weights calibrated to reflect impacts on local communities and the environment.



03. ESG Rating System

◉ ESG Ratings Scale




- ◉ KCGS assigns ratings for the individual areas of E, S, G for general issuers, and G for financial institutions, and ESG integrated ratings.
- ◉ KCGS ESG ratings range from S to D, seven in total. Scores are given based on absolute assessment and ratings are assigned according to the score criteria.

S (Excellent)	An excellent sustainable management system is in place, which is a model for other companies and sustainable management in general.
A+ (Highly Outstanding)	A highly outstanding sustainable management system is in place, which demonstrates outstanding performance on an ongoing basis.
A (Outstanding)	A relatively outstanding sustainable management system is in place, which requires efforts to make a sophisticated system.
B+ (Good)	A good sustainable management system is in place, which requires continued efforts for improvement.
B (Average)	The sustainable management system is relatively vulnerable, which requires continued efforts for improvement.
C (Vulnerable)	The sustainable management system is vulnerable, which requires a considerable level of improvement efforts.
D (Highly Vulnerable)	The sustainable management system is highly vulnerable, which requires a considerable level of improvement efforts.

03. ESG Rating System

ESG Rating Model

- KCGS has a proprietary ESG rating model aligned with international standards such as OECD Principles of Corporate Governance, TCFD, and OECD guidance for human rights due diligence and faithfully reflective of the local legislative and management environment.

RatingArea	RatingModel	KCGSCodeofBestPractices	Laws/Regulations/Standards
	<ul style="list-style-type: none"> Management Process Model <ul style="list-style-type: none"> An environmental management framework reflecting key environmental issues and industry-specific impacts A 21-industry classification system aligned with domestic and global standards 	<ul style="list-style-type: none"> Leadership & Governance Risk Management Operations & Performance Stakeholder Engagement 	<ul style="list-style-type: none"> Framework Act on Carbon Neutrality and Green Growth Act on the Registration and Evaluation of Chemicals ISO 14001 and Environmental labelling, Certification standards Task Force on Climate-related Financial Disclosures (TCFD), etc.
	<ul style="list-style-type: none"> Issue-focused Socially Responsible Management (SRM) Model <ul style="list-style-type: none"> Consideration of social responsibility issues with significant impacts on corporate risks and opportunities Identification of material SRM issues by industry, reflecting stakeholder impacts aligned with domestic and global standards 	<ul style="list-style-type: none"> Leadership & Governance Risk Management Operations & Performance Stakeholder Engagement 	<ul style="list-style-type: none"> Monopoly Regulation and Fair Trade Act ISO 26000 (international guidance on social responsibility), etc. Core conventions of the International Labour Organization (ILO) Universal Declaration of Human Rights and OECD Guidelines for Multinational Enterprises / OECD guidance on human rights due diligence, etc.
	<ul style="list-style-type: none"> Control Function Model <ul style="list-style-type: none"> Classification based on key mechanisms for effective corporate governance Consideration of governance requirements for general issuers and financial institutions Assessment of factors such as asset size, key board committees, and financial sector-specific characteristics 	<ul style="list-style-type: none"> Board Leadership Shareholder Rights Protection Auditing Shareholder & Stakeholder Engagement 	<ul style="list-style-type: none"> Commercial Act and Act on Corporate Governance of Financial Companies OECD Principles of Corporate Governance Corporate governance codes issued by the FRC (UK) and JPX (Japan) ICGN Global Governance Principles Corporate Governance Principles for Banks issued by the Basel Committee on Banking Supervision (BCBS), etc.

Environmental Rating Model (E)

- In response to growing investor demand in global capital markets for the disclosure of climate change-related financial information, the Environmental rating model incorporates climate-related disclosures and key environmental issues and is aligned with global disclosure frameworks
- The assessment indicators are designed to reflect ESG best practices and emphasize the importance of environmental leadership and governance, as well as enterprise-wide risk management frameworks. The indicators consist of 4 categories and 12 sub-categories.
- Rated companies are classified into 21 industries based on their environmental impact, and the assessment indicators are applied in accordance with the relevant industry classification.

Assessment Indicators

Categories	Sub-categories
I. Leadership & Governance	A. Governance B. Strategy & Targets C. Integration of Environmental Management
II. Risk Management	A. Risk Management
III. Operations & Performance	A. Climate Change B. Circular Economy C. Water/Land Use/Biodiversity D. Pollutants/Chemicals E. Sustainable Supply Chain F. Ecofriendly Products & Services
IV. Stakeholder Engagement	A. Stakeholder Relations B. Environmental Information Disclosure

Environmental Industry Classification

21 Industries	
Steel/Nonferrous metal	Construction
Glass/Cement	Electricity/Gas Utilities_generation
Machinery/Metalworking	Electricity/Gas_distribution
Electrical/Electronic	Transportation
Oil/Chemicals	Wholesale/Retail Trade
Automobiles/Transportequipment	Financials
Textiles/Apparels	Communication/Information service
Paper/Wood	Media/Entertainment/Games
Other manufacturing	Other Services
Food/Beverages	Holding Company
Pharmaceuticals	

03. ESG Rating System

○ Environmental Rating Model - Non-Financial Pure Holding Companies (E/S Ratings Only)

- This assessment approach applies exclusively to the Environmental and Social Ratings.
 - For non-financial pure holding companies, the ESG risks of subsidiaries* are reflected based on the parent company's level of control and oversight, as well as its role as the largest shareholder.
 - Pure holding companies are not assessed on a standalone basis. Instead, the activities and performance of subsidiaries with significant scale and business importance are incorporated into the assessment.
 - Case 1: Listed subsidiaries → weighted average by total assets
 - Case 2: No listed subsidiaries (only unlisted subsidiaries) → the largest unlisted subsidiary is assessed
 - Case 3: Specific unlisted subsidiary** \geq all listed subsidiaries (by total assets)
→ unlisted-focused assessment with weighted average
- ※ For operating holding companies, both the holding company's own assessment results and those of its subsidiaries are applied. However, the assessment methodology for holding companies may be subject to change in the future.

* Subsidiaries of non-financial pure holding companies are classified as listed or unlisted based on KCGS assessment criteria.

** Applies where the total assets of the principal unlisted subsidiary are greater than or equal to those of the principal listed subsidiary.

03. ESG Rating System

○ Social Rating Model (S)

- To assess corporate social responsibility management, the Social (S) rating model is aligned with global guidelines on non-financial information disclosure, international standards related to social responsibility management such as ISO 26000, relevant guidelines, and social best-practice codes.
- The assessment indicators focus on key social responsibility issues—including human rights, labor, and safety—and are structured into 9 categories and 25 sub-categories.
- Rated companies are classified into 28 industries reflecting industry-specific characteristics, and the assessment indicators are applied according to the relevant industry classification.

Assessment Indicators

Categories	Sub-categories	Categories	Sub-categories
I. Leadership & Governance	A. Strategy & Policy	VI. Sustainable Consumption	A. Governance B. Consumer Violation Risk Management C. Communication with Consumers D. Proactive and Effective Remediation
II. Labor Practices	A. Fair & Non-discriminatory Employment B. Support for Work and Life Balance C. Healthy Labor-mgmt. Relationship D. Employee Capacity-building & Support	VII. Cyber Risk Mgmt. & Privacy Protection	A. Governance B. Risk Management C. Investment in Cyber Risk Management D. Guaranteeing Rights of Data Subjects
III. Occupational Health & Safety	A. Governance B. Risk Management	VIII. Local Community Engagement & Development	A. Governance B. Risk Management C. Local Community Engagement D. Performance Management
IV. Human Rights	A. Governance B. Risk Management	IX. Stakeholder Engagement	A. Communication with Stakeholders
V. Fair Operating Practices	A. Governance B. Fair Operating Risk Management C. Established Foundation for Shared Growth D. Supply Chain Risk Management		

Social Industry Classification

28 Industries	
Energy	Pharmaceuticals and biotechnology
Materials	Banking
Capital goods	Securities
Commercial services and supplies	Diversified financials
Transportation	Insurance
Automobiles and components	Real estate
Consumer durables and apparel	Software and services
Hotels, restaurants, leisure, etc.	Technology hardware and equipment
Retailing	Semiconductors and semiconductor equipment
Education	Electronic and electrical products
Food and staples retailing	Display
Food, beverage and tobacco	Telecommunication services
Household and personal products	Media and entertainment
Healthcare equipment and services	Utilities

03. ESG Rating System

○ Social Rating Model

- Non-Financial Pure Holding Companies (E/S Ratings Only)

- This assessment approach applies exclusively to the Environmental and Social Ratings.
 - For non-financial pure holding companies, the ESG risks of subsidiaries* are reflected based on the parent company's level of control and oversight, as well as its role as the largest shareholder.
 - Pure holding companies are not assessed on a standalone basis. Instead, the activities and performance of subsidiaries with significant scale and business importance are incorporated into the assessment.
 - Case 1: Listed subsidiaries → weighted average by total assets
 - Case 2: No listed subsidiaries (only unlisted subsidiaries) → the largest unlisted subsidiary is assessed
 - Case 3: Specific unlisted subsidiary** \geq all listed subsidiaries (by total assets)
 - unlisted-focused assessment with weighted average
- ※ For operating holding companies, both the holding company's own assessment results and those of its subsidiaries are applied. However, the assessment methodology for holding companies may be subject to change in the future.

* Subsidiaries of non-financial pure holding companies are classified as listed or unlisted based on KCGS assessment criteria.

** Applies where the total assets of the principal unlisted subsidiary are greater than or equal to those of the principal listed subsidiary.

03. ESG Rating System

○ Governance Rating Model for Non-financial Companies (G)

- The assessment indicators are structured around key corporate governance issues. Following an analysis of statistical validity (including reliability and structural validity), the classification framework consists of 4 categories and 14 sub-categories.
- Rated companies are classified into 9 types based on company type (general company or public enterprise), asset size, the presence of a controlling shareholder, and the existence of an audit committee. The assessment indicators are applied according to the relevant classification.

Assessment Indicators

Categories	Sub-categories
I. Board Leadership	A. Board Independence B. Board Diversity & Expertise C. Board Operation D. Compensation Committee E. Outside Director Nomination Committee F. Directors' Compensation
II. Shareholder Rights Protection	A. Shareholders Rights B. Shareholder Return C. Ownership Structure
III. Auditing	A. Auditing Body Composition B. Auditing Body Operation C. Accounting Transparency D. Internal Control & Risk Management
IV. Stakeholder Engagement	A. Disclosure

Governance Classification Framework (9 Types)

Type	Company	Asset Size (KRW)	Controlling Shareholder*	Audit Committee
Type 1	General Company	≥ 2 tn	Yes	- **
Type 2			No	
Type 3			Yes	
Type 4		≥ 500 bn; < 2 tn	No	Established
Type 5			Yes	
Type 6			No	
Type 7		< 500 bn	No	Established
Type 8				Not established
Type 9		Public Enterprise	-	No

* Controlling shareholder status is determined under the Fair Trade Act.
 ** Audit committee requirements apply to public enterprises and companies with total assets of KRW 500 bn or more, in accordance with relevant regulations.

○ Governance Rating Model for Financial Institutions (FG)

- The FG rating model is designed based on governance best practices for financial institutions, as well as governance guidelines issued by the OECD and the Basel Committee on Banking Supervision (BCBS). The assessment indicators focus on key governance issues and comprise 7 categories and 19 sub-categories.
- Rated institutions are classified into 7 types based on listing status, the presence of an individual controlling shareholder, the scope of application of the corporate governance law, and the establishing law. Assessment indicators are applied in accordance with the relevant classification.

Assessment Indicators

Categories	Sub-categories
I. Board of Directors	A. R&R of Board B. R&R of Directors C. Board Composition D. Board Operation E. Appointment of Directors
II. Shareholder Rights Protection	A. Shareholder Rights B. Shareholders General Meeting C. Ownership Structure D. Transactions with Affiliates
III. CEO	A. CEO
IV. remuneration	A. remuneration B. remuneration Structure
V. Risk Management	A. Risk Committee B. Risk Management
VI. Auditing Body & Internal Control	A. Auditing Body Composition B. Auditing Body Operation C. Internal Controls
VII. Stakeholder Engagement	A. General Disclosure B. Homepage Disclosure

FI Governance Classification Framework (7 Types)

Type	Listing Status	Individual Controlling Shareholder	Scope of Governance Law Application	Establishing Law
Type 1	O	X	Full application	Industrial Bank of Korea Act
Type 2	O	X	Full application	-
Type 3	O	X	Partial application	-
Type 4	O	O	Full application	-
Type 5	O	O	Partial application	-
Type 6	X	X	Full application	-
Type 7	X	O	Full application	-



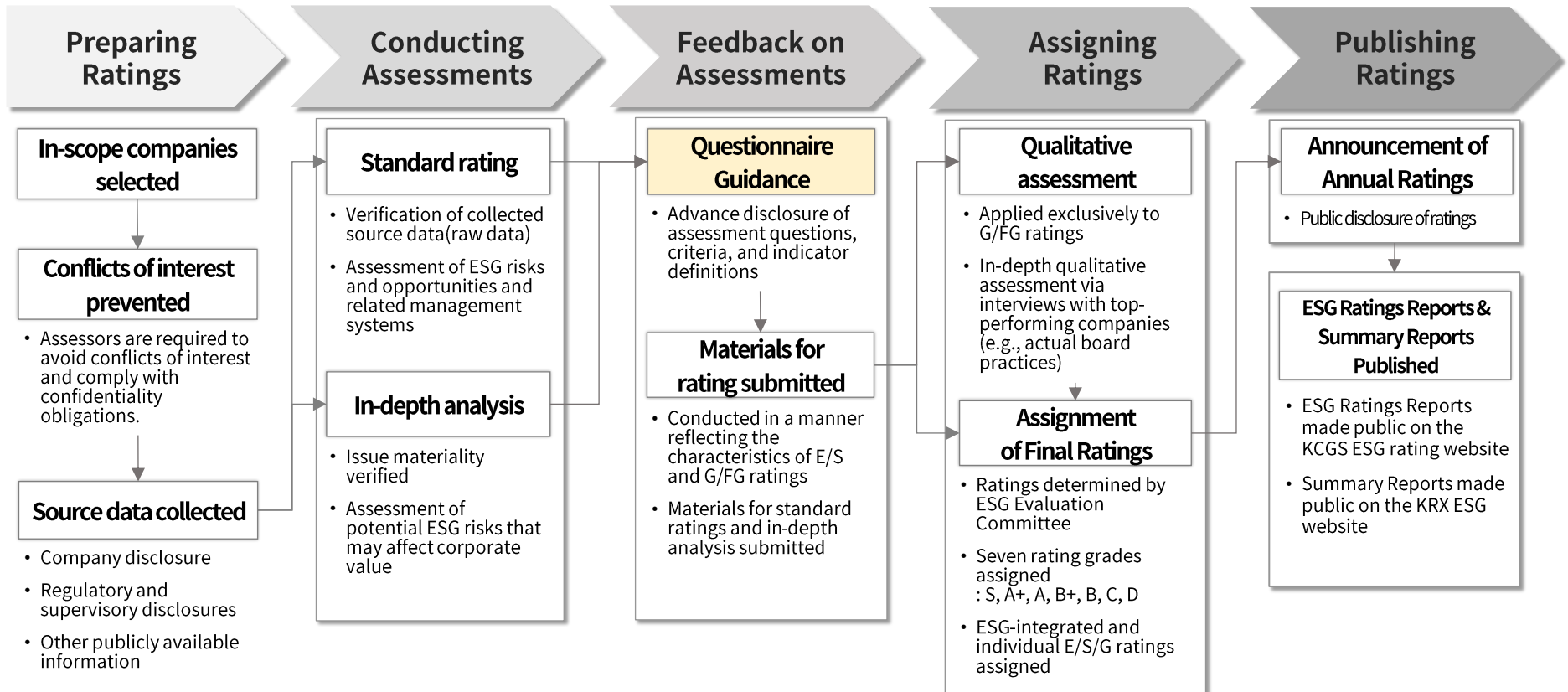
04

ESG Rating Process

04. ESG Rating Process

ESG Rating Process

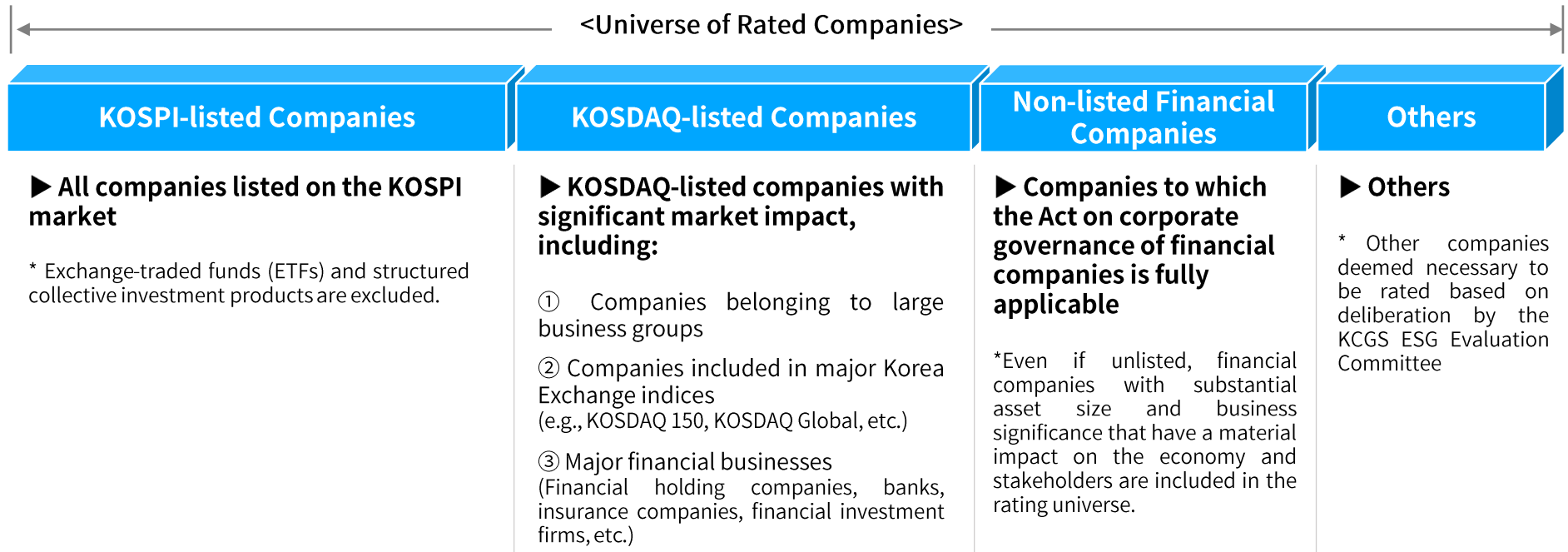
- KCGS carries out its ESG rating activities in the order of ① **preparing ratings**, ② **conducting assessments**, ③ **receiving feedback on assessments**, ④ **assigning ratings**, and ⑤ **publishing ratings**.
- From 2023, each team of E, S, G, and FG operates its own feedback process, taking into account the unique characteristics of each area while maintaining commonly applicable elements in the overall rating process.



※ Companies not participating in the feedback process are assigned with a rating without feedback.

① Preparation of Ratings – Selection of Rated Companies

- (Selection of Rated Companies)** KCGS selects companies listed on the KOSPI or KOSDAQ markets that are of a **size and scale deemed to have a significant impact on the domestic and global economy and key stakeholders** as rated companies on an annual basis.
 - * Newly listed companies, companies under trading suspension, and similar cases may be excluded from the rating universe. The scope of rated companies may be adjusted based on decisions of the KCGS ESG Evaluation Committee.
- (Selection Process)** The scope of rated companies is determined by the ESG Evaluation & Rating Subcommittee, after which an initial pool is identified internally. Final selection is made by the KCGS ESG Standards Committee. The list of rated companies is announced annually, typically between March and April, through a press release.



① Preparation of Ratings – Conflict of Interest Prevention and Confidentiality

- **(Conflict of Interest Prevention)** To ensure objective ESG ratings, once a company is selected for assessment, KCGS verifies whether any conflicts of interest exist between the assessors and the rated company. Assessors are required to submit a Conflict of Interest Confirmation Form to the internal oversight function, thereby **ensuring fairness and integrity in the performance of their duties.**
- **(Confidentiality Obligations)** Assessors involved in ESG ratings are required to use information obtained in the course of their duties solely for ESG rating purposes. They formally commit not to use such information for any other purposes, nor to disclose or leak it to external parties.

이해 상충 확인 신고서

대상회사 년 ESG 평가 대상기업		제출일자 년 월 일		동업기관/거주지(세출 시 기재) · 매년 정기 신고 시 / 년 월 일 · 변동사항 발생 시 /	
작성인 Profile					
이름	직급	소속	업무기술(ESG평가실/팀, 실/과장/팀장/실/과장)		

구분	내용	이해상충 여부 확인			유의사항
		질문 항목	해당 여부	회사명 (통목요드)	
대상 회사 관련 확인	고용관계	Confidential	해당 <input type="checkbox"/>		Confidential
	소유관계		해당 <input type="checkbox"/>		
	거래관계		해당 <input type="checkbox"/>		
작성인은 상기 사항을 확인하여, 「ESG 평가업무에 관한 이해상충 방지에 관한 지침」 제17조제 4항에 따른 해태거래 방법 규정을 준수할 것임을 서약합니다.					작성인 () 확인

Illustrative Example: Conflict of Interest Confirmation Form

<별지 서식 제3호>

보안서약서

수신: (사)한국이에스지기준원 귀중

본인은 (사)한국이에스지기준원의 「ESG평가 업무에 관한 이해상충 방지에 관한 지침」, 「ESG평가 업무 수행에 관한 기준」 및 「취업규칙」에 따라 20XX년도 한국ESG기준원 ESG평가와 관련하여 ESG평가업무 수행 과정에서 평가 대상기업으로부터 취득한 정보·자료, 기준원의 평가모형, 평가 결과 등 기준원의 업무 수행과정에서 알게 되거나 생산한 모든 정보·자료(기준원 홈페이지에 공개된 평가등급 등 정보는 제외)에 대하여 제직중 뿐만 아니라 퇴직 후에도 비밀을 유지할 것을 서약합니다.

이와 더불어 평가 대상기업(그 계열사 및 소속 임직원 포함), 기준원의 사원기관(그 임직원을 포함한다)을 포함하여 누구에게도 평가 업무 수행과정에서 취득한 정보·자료를 열람하게 하거나 제공하지 않을 것을 서약합니다.

본인이 상기사항을 위반하여 기밀을 누설하거나 수집·산출물을 임의 보유·활용·제공하는 등 관련 법령내규를 위반한 때에는 관련 법령, 내규 및 계약에 따라 민·형사상 어떠한 처벌이나 인사상 징계, 제재를 포함한 불이익도 감수할 것을 서약합니다.

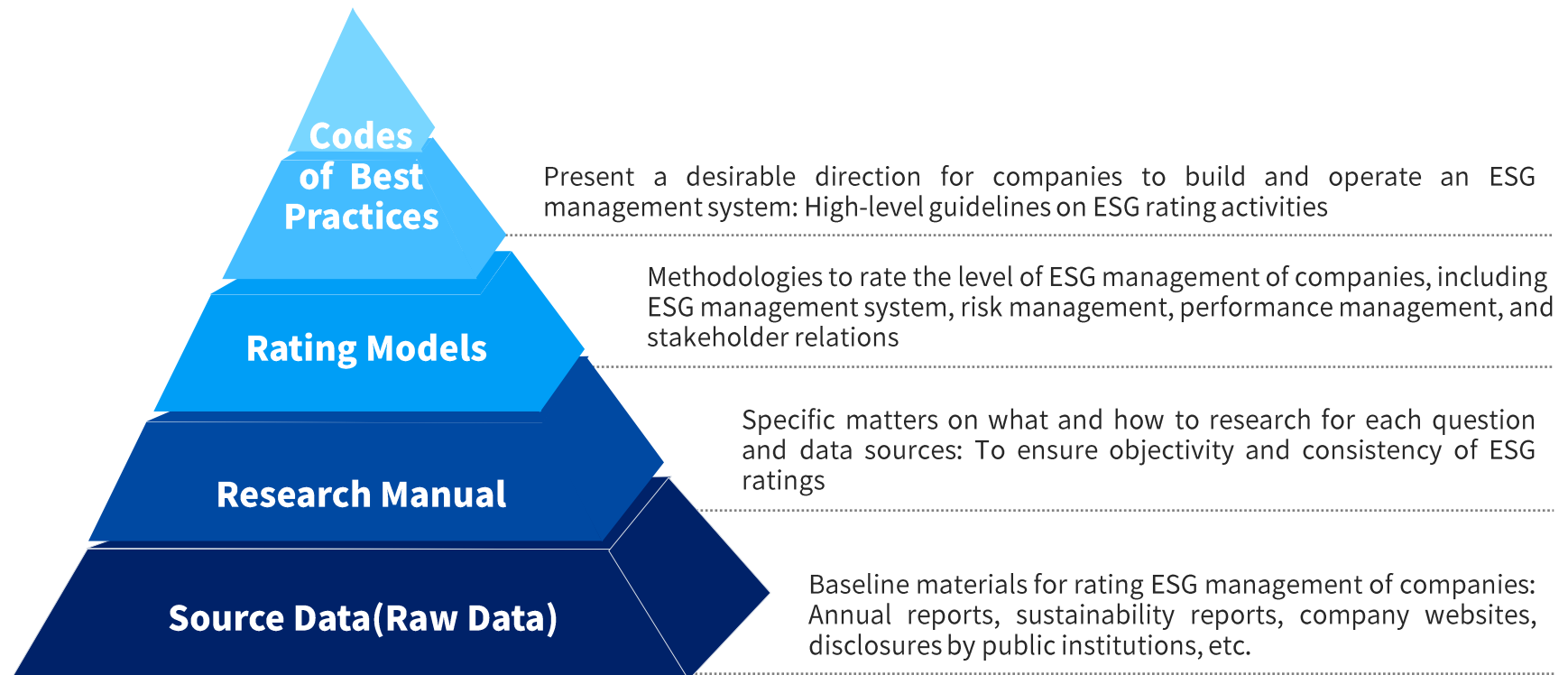
년 월 일

담 당 자(성명/직위) : / (서명)
확 인 자 : (서명)

Illustrative Example: Confidentiality Undertaking (NDA)

② Conducting Assessments – Rating System Diagram

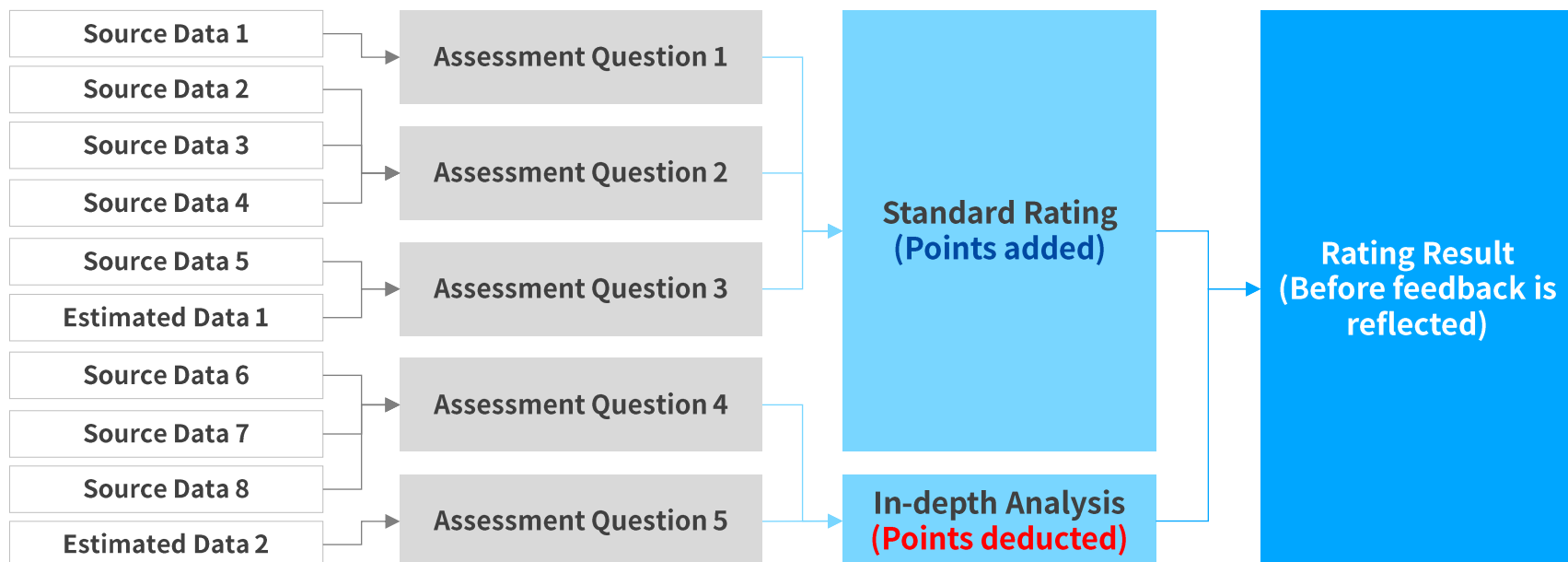
- Based on its ESG Codes of Best Practices that present desirable ESG practices in companies, KCGS upgrades its proprietary rating models regularly, taking into account local and global ESG management environments.
- KCGS also has a system that ensures ratings are assigned based on clear criteria as per the research manual for reliable and objective ESG ratings, not subjective judgments on the part of the personnel involved in rating.



② Conducting Assessments – Rating Process

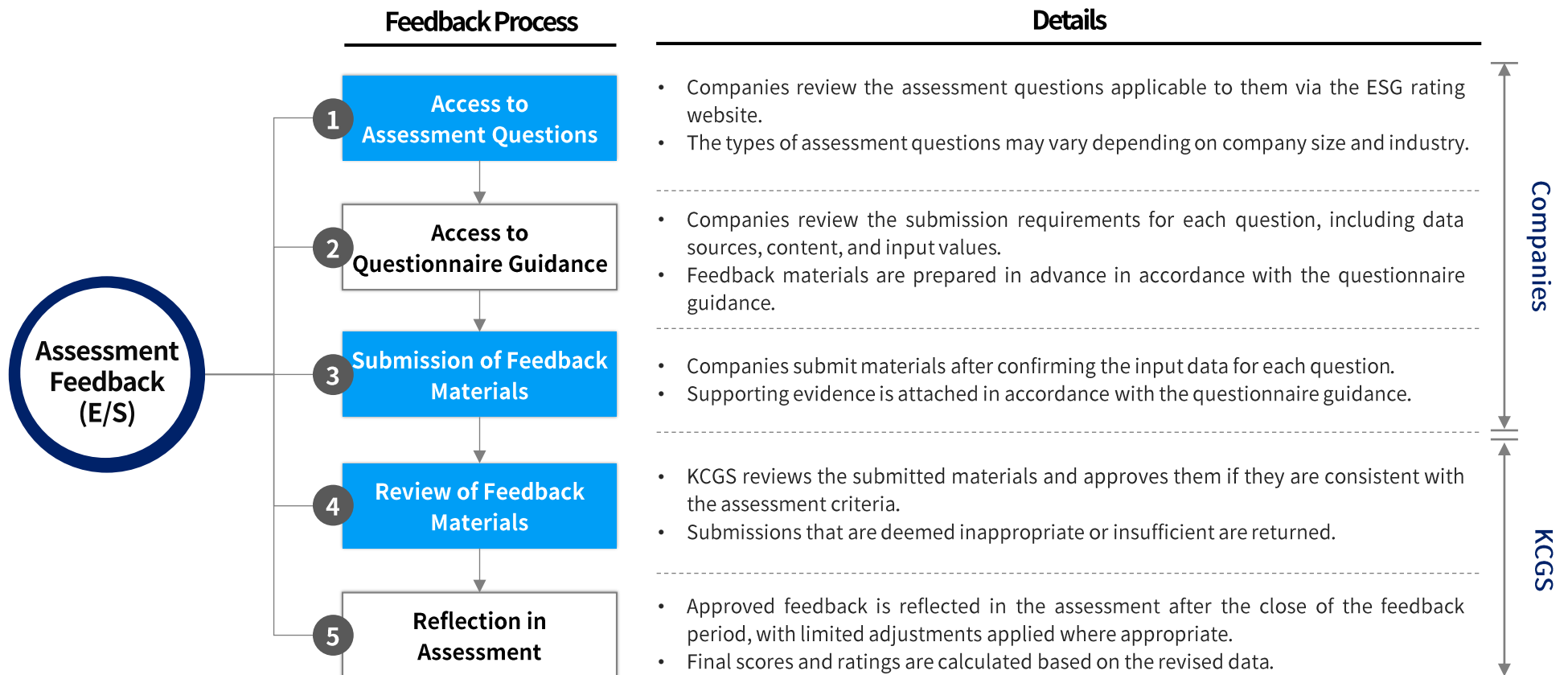
- Source data are collected according to the research manual, and the collected data serve as preliminary values for respective assessment questions according to the rating models, based on which assessments are done for each respective question.
- Company-level questions for the standard rating and in-depth analysis are formed in line with the company type, classification system, etc. Afterward, the points earned in the standard rating and the points deducted in the in-depth analysis are aggregated before rating results (before feedback from companies is reflected) are derived.

<Rating Process>



③ Feedback on Assessment – Environmental & Social

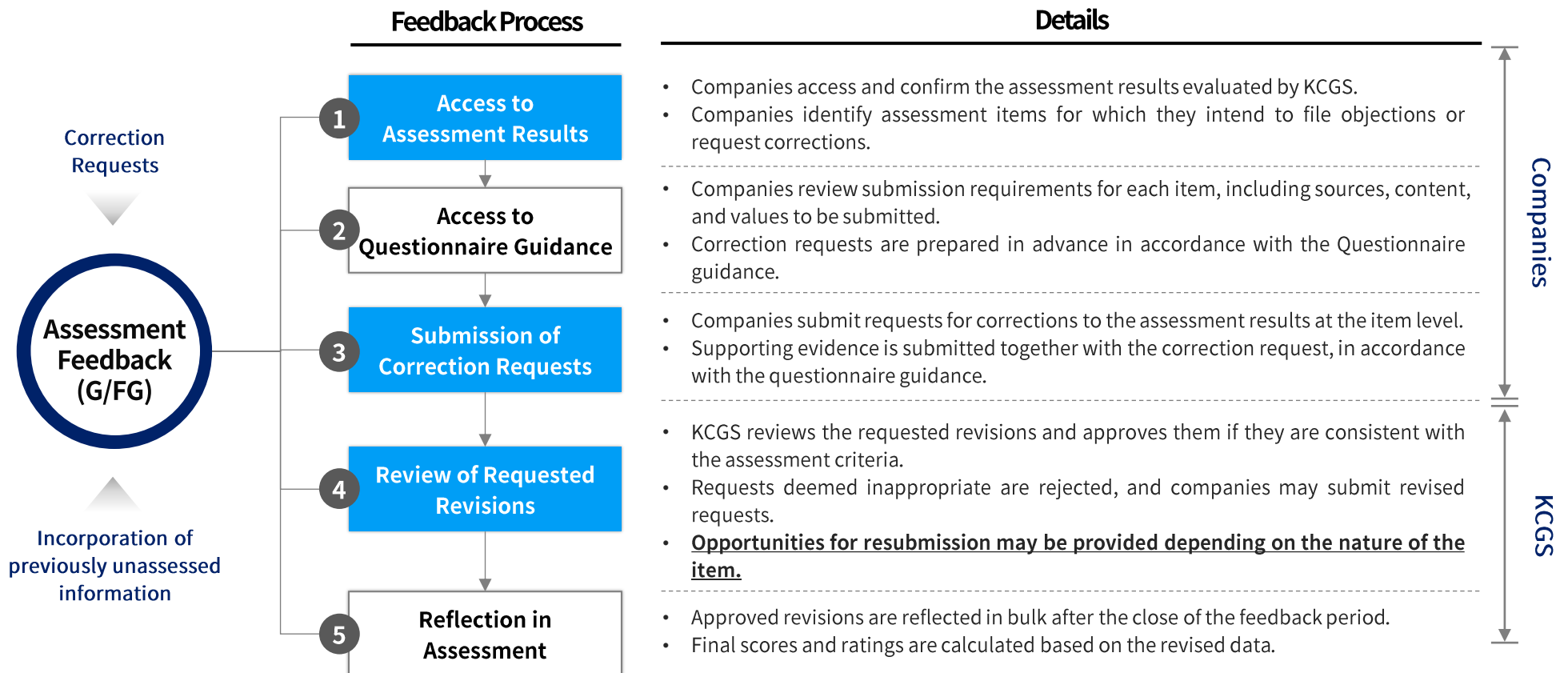
- As non-financial information disclosure for the Environmental (E) and Social (S) pillars is not yet mandatory and corporate disclosure practices vary by company, the feedback process operates such that companies submit feedback materials first, which are then reviewed by KCGS.



※ Companies not participating in the feedback process are assigned with a rating without feedback.

③ Feedback on Assessment – Governance (NFCs & FIs)

- Governance assessments(G/FG) are conducted in advance based on standardized public disclosures. Companies are subsequently provided with an opportunity to submit requests for corrections to the assessment results through the feedback process.



※ Companies not participating in the feedback process are assigned with a rating without feedback.

04. ESG Rating Process

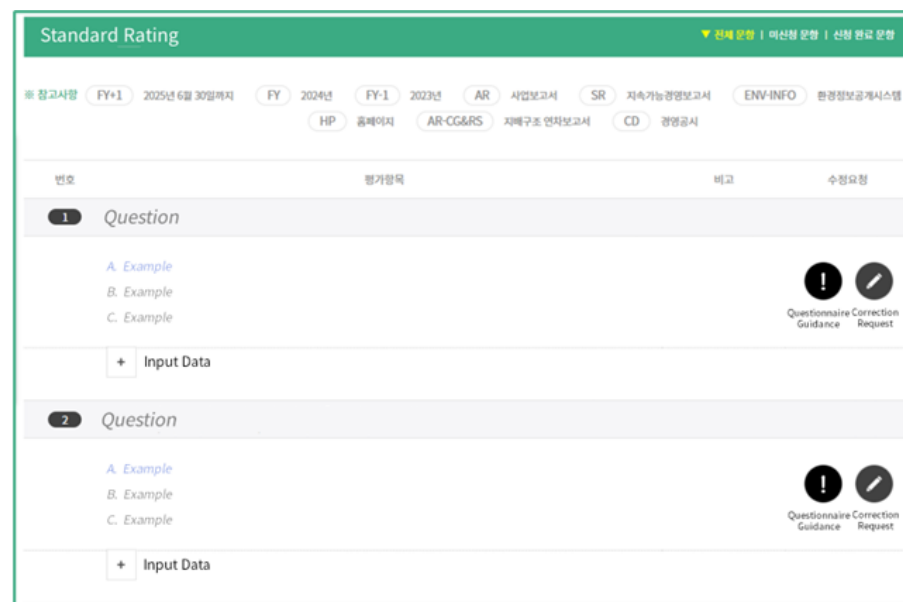
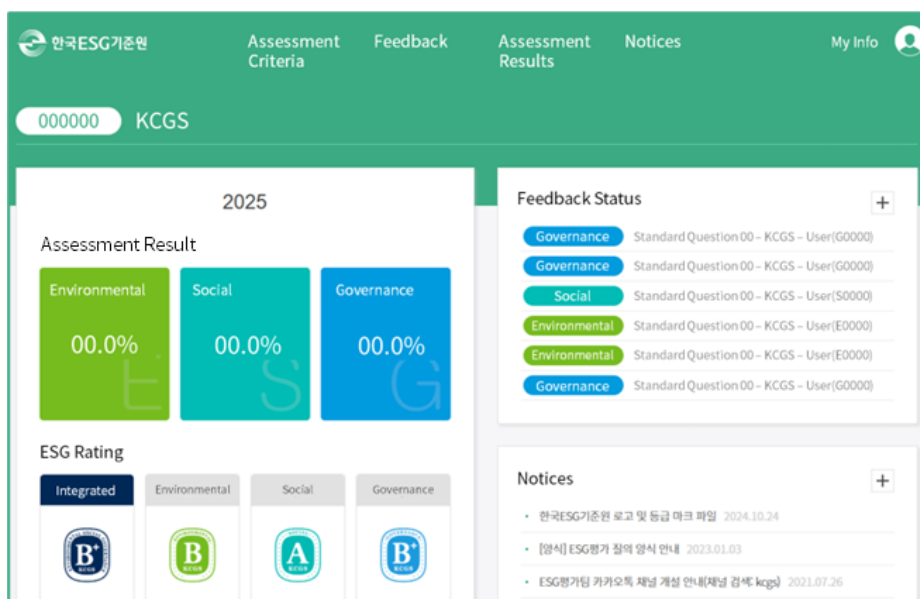


③ Feedback on Assessment – ESG Rating Website

- KCGS operates the ESG Rating Website to transparently disclose assessment results and pre-assessment input data to rated companies and to facilitate corporate participation and communication in the ESG rating process.
- Through the website, companies can review their assessment results and submit correction requests where applicable. KCGS reviews the requested corrections and supporting evidence and determines whether the requests are reflected in the assessment.

Link to the KCGS ESG Rating Website
(<http://esg.cgs.or.kr>)

- Companies seeking to participate in the feedback process are required to register for an account on the ESG Rating Website.
- Company and contact information must be entered, after which approval is requested from KCGS (confirmation sent by e-mail).



Illustrative Example: KCGS ESG Rating Website

③ Feedback on Assessment – Questionnaire Guidance

- KCGS discloses **questionnaire guidance** to transparently present the **purpose of each question**, as well as the **sources and content of input data** used in the ESG ratings.
- The guidance provides, on a **question-by-question basis**, information on the **assessment objective, input data items, definitions of data content, data sources**, and **key considerations for submission**, thereby enabling companies to participate effectively in the feedback process.

※ *Questionnaire guidance is provided exclusively to rated companies.*

<Structure of the Questionnaire Guidance>

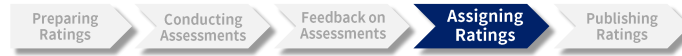
Indicators	Definitions & Criteria	Data Sources	Eligibility of Internal Data	Reference Examples & Submission Notes
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<Illustrative Example of Questionnaire Guidance>

Category	Board Leadership	Sub-category	Board Independence
Purpose of Assessment	-		

Indicators	Definitions & Criteria	Data Sources	Eligibility of Internal Data	Reference Examples & Submission Notes
FY-1 Total Assets (KRW, thousands)	<ul style="list-style-type: none"> • FY-1 total assets as of the assessment year-end • Based on consolidated financial statements 	Audit report > Financial statements	X	-
Board – No. of directors	<ul style="list-style-type: none"> • Assessment based on the most recent annual report 	Annual report > Status of executives and employees, etc.	X	-
Board – No. of outside directors	<ul style="list-style-type: none"> • Assessment based on the most recent annual report 	Annual report > Status of executives and employees, etc.	X	-

04. ESG Rating Process



④ Assigning Ratings

- Scores and ratings for each area are derived reflective of the explanations provided in the feedback process, etc. Integrated scores and ratings are derived, taking into account weightings for each area in line with a company’s industry classification, environmental sensitivity, etc.
- Afterward, the ESG Standards Committee reviews and decides the appropriateness of the ratings, etc., and determines the final ratings of each company.

01

Scores and ratings derived for individual areas

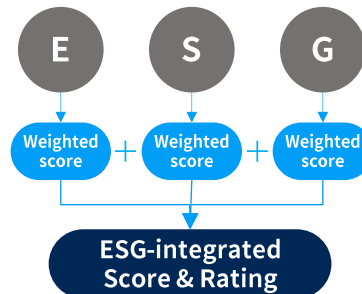
- Scores and ratings for individual areas derived based on absolute evaluation of corporate performance in line with the industry classification and rating assignment standards
- 7-Scale ratings assigned (S, A+, A, B+, B, C, D)



02

Integrated scores & ratings derived reflective of weightings for each area

- An integrated score and rating derived by applying weightings to the scores for individual areas in line with the company’s industry classification, environmental sensitivity, etc.
- 7-Scale ratings assigned (S, A+, A, B+, B, C, D)



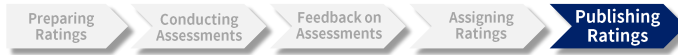
03

Ratings assigned by ESG Standards Committee

- ESG Standards Committee reviews the appropriateness of individual and integrated ratings, and finalizes the assignment of ratings for individual companies.



04. ESG Rating Process

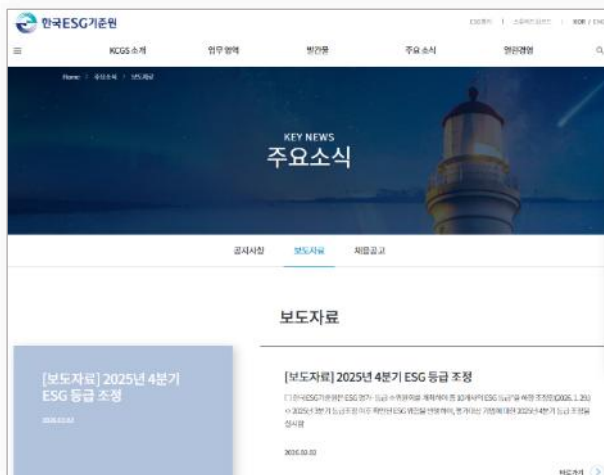


5 Publishing Ratings

- KCGS publishes integrated and individual ratings of rated firms in October and makes public details about the ratings through its company website, rating website, press releases, KRX ESG Portal, etc.
- (Trust mark) KCGS has designed ESG rating marks to enable investors to more easily recognize ESG ratings and to allow companies to use their ESG ratings for promotional purposes. The rating marks and banners may be used on corporate websites and in promotional materials.

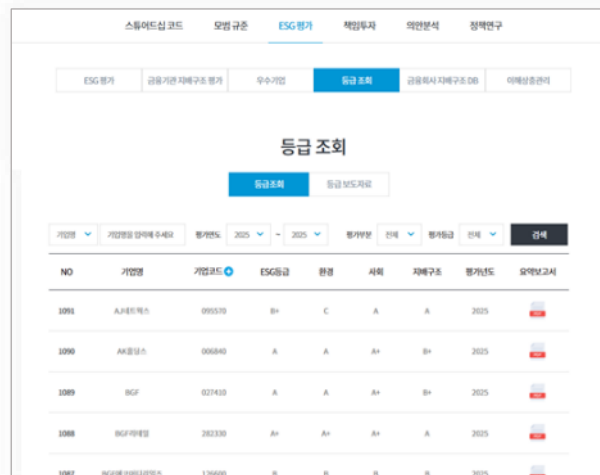


KCGS Website – Press Release



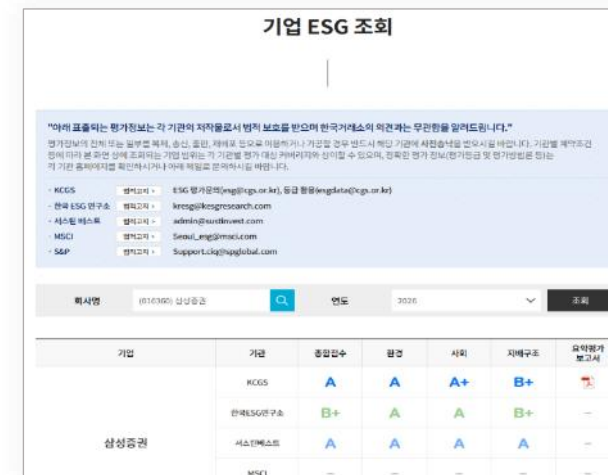
https://www.cgs.or.kr/news/press_list.jsp

KCGS Website – ESG Ratings



https://www.cgs.or.kr/business/esg_tab04.jsp

KRX ESG Portal – ESG Ratings



<https://esg.krx.co.kr/>

※ Ratings inquiry via KCGS Website and KRX ESG Portal is only available in Korean.

04. ESG Rating Process

ESG Rating Process Timeline

- The ESG rating process begins in March with the preparation of ratings. Assessments are conducted thereafter, followed by feedback on assessment results between June and August. Final ESG ratings are assigned and published in October.

Assessment Stage	Schedule* (by Month)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
A. Governance(NFCs & FIs)			[Dark Blue Bar]										
• Preparing ratings			[Grey Bar]										
• Standard & In-depth Assessment				[Grey Bar]	[Grey Bar]	[Grey Bar]							
• Feedback on Assessment						[Grey Bar]	[Grey Bar]	[Grey Bar]					
B. Environmental & Social					[Dark Blue Bar]								
• Preparing ratings					[Grey Bar]								
• Standard & In-depth Assessment						[Grey Bar]	[Grey Bar]	[Grey Bar]	[Grey Bar]				
• Feedback on Assessment						[Grey Bar]		[Grey Bar]					
C. ESG Common										[Dark Blue Bar]			
• Assignment of Annual ESG Ratings										[Grey Bar]			
• Selection of High-performing Companies										[Grey Bar]			
• Publication of ESG Rating Reports & Summary Reports												[Grey Bar]	

*The schedule may vary depending on the level of company participation in the feedback process and the duration of the feedback period.



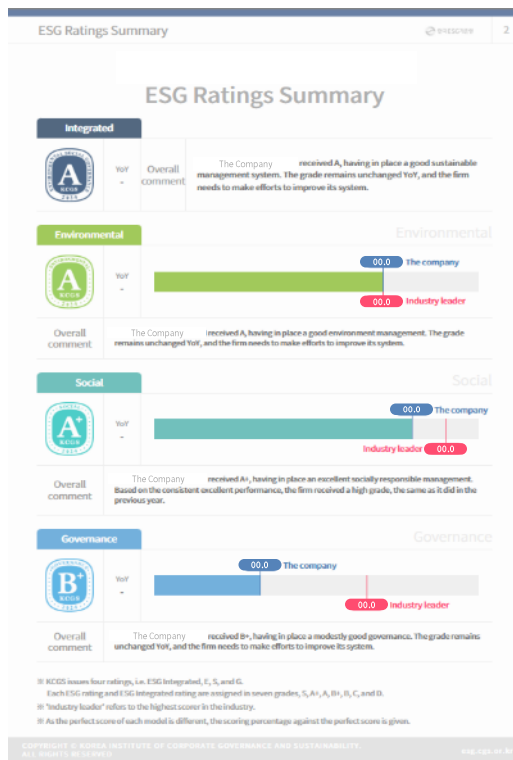
05

Ex-post Management & Communication

05. Ex-post Management & Communication

ESG Rating Report

- KCGS transparently discloses detailed ESG assessment results to rated companies.
- In particular, the ESG Rating Report provides granular information on a company's ESG assessment results, including assessment scores by major and sub-categories, score positioning relative to industry peers, and the level of compliance with core and key indicators by ESG area.



Illustrative Example: ESG Rating Report

05. Ex-post Management & Communication

Summary Reports

- KCGS strives to provide shareholders, investors, etc. with better access to information, such as trends in ESG ratings and risk levels, by providing company-level summary reports for external stakeholders through the ESG Portal* operated by Korea Exchange (esg.krx.co.kr).

ESG 소개	1 ESG 기업정보	ESG 통계	자료실
ESG 개념	기업 ESG 조회	국내 ESG현황	ESG 최신동향/기준
ESG 중요성	지속가능경영보고서	ESG 펀드	참고사이트
ESG 경영/정보공개	기업지배구조보고서	ESG 채권현황	ESG 강의실
	2 ESG 평가	ESG 지수/증권상품	

기업지배구조 공시우수법인 전체 797사

회사명	KCGS				한국ESG 연구소	서스틴베스트	MSCI	S&P	지속가능경영 보고서공시여부	기업지배구조 보고서공시여부
	종합등급	환경	사회	지배구조						
3 Company A	B+	C	A	A	-	-	-	-	NO	NO
Company B	A	A	A+	B+	-	-	-	-	NO	NO
Company C	A	A	A+	B+	-	-	-	-	NO	NO
Company D	A+	A+	A+	A	A	-	56	-	NO	NO
Company E	A	A+	A+	A	A	BB	70	-	NO	NO
Company F	D	D	D	C	-	-	-	-	NO	NO

회사명 (000000) Company A 연도 2026 조회

기업	기관	종합점수	환경	사회	지배구조	4 요약평가 보고서
Company A	KCGS	B+	C	A	A	
	한국ESG연구소	-	-	-	-	
	서스틴베스트	-	-	-	-	
	MSCI	-	-	-	-	
	S&P	-	-	-	-	

View Summary Report

ESG 등급 및 재무성과 변화 추이



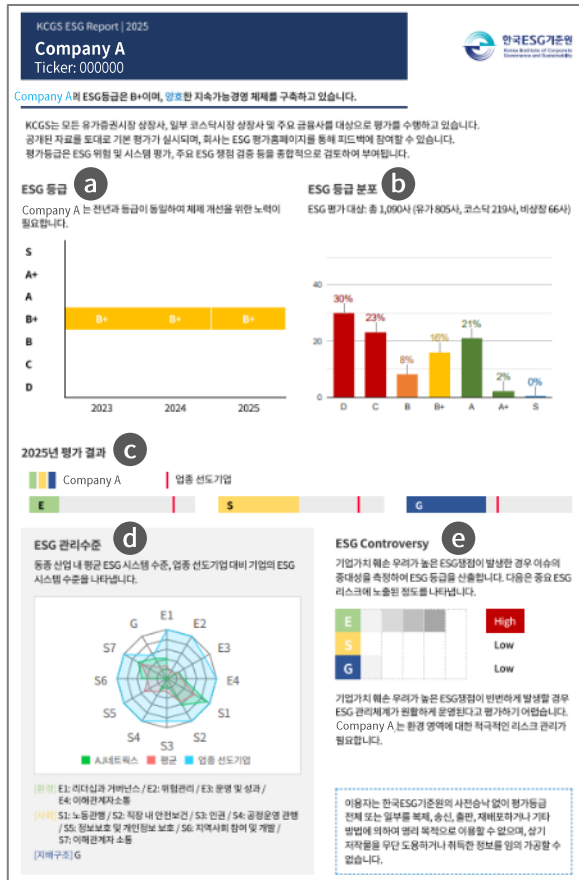
1 2 3 4 | Path to access summary Report

※ Summary report is only available in Korean.

05. Ex-post Management & Communication

Summary Reports

- KCGS strives to provide shareholders, investors, etc. with better access to information, such as trends in ESG ratings and risk levels, by providing company-level summary reports for external stakeholders through the ESG Portal* operated by Korea Exchange (esg.krx.co.kr).



- a** Changes in the ESG-integrated rating over past 3 years
- b** Distribution of ratings across all rated companies
- c** Comparison between the rated company and the industry leader
- d** Comparison of performance in each ESG area within the industry
- e** The extent of exposure to ESG risk
- f** Three-year history of ESG area-level and integrated ratings
- g** Detailed history of ESG rating adjustments over the past 3 years

Illustrative Example: Summary Report

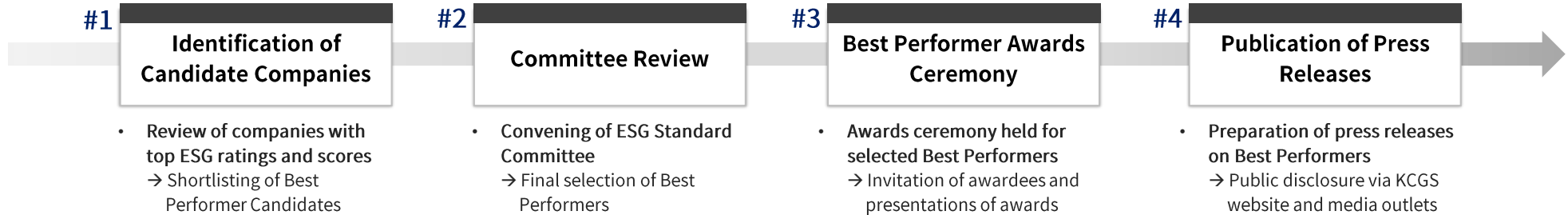
※ Summary report is only available in Korean.

05. Ex-post Management & Communication

○ Selection of Best Performers

- KCGS identifies Best Performers—companies that have demonstrated outstanding ESG performance and continuous improvement following the assignment of ESG ratings—and recognizes them through an annual awards program.

Best Performer Selection and Award Process



<No. of Best Performers Selected>

Category	ESG Category		Governance Category	
Grand Award	All	●	All	●
Excellence Award	FIs	●	FIs	●
	NFCs	●	NFCs	●
Outstanding Award	FIs	● ●	FIs	● ●
	NFCs	● ● ●	NFCs*	● ● ●

*For NFCs, selection is limited to firms that have demonstrated strong year-on-year improvement among companies rated in ESG or Governance at least three times. Among these, companies listed on KOSPI and KOSDAQ are considered, with up to four companies selected from a pool of six candidates.

<Disclosure of Best Performers>

- Selected Best Performers are published on the KCGS website
- A searchable list of past Best Performers (since 2011) is also provided



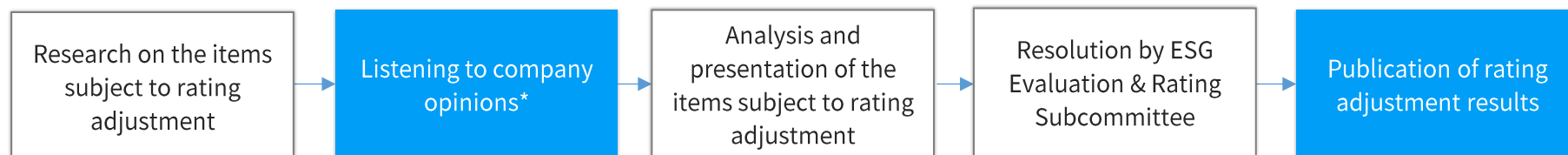
<Designation of Distinguished Best Performers>

- Companies that have received the Grand Award at least twice within the past four years, including the current evaluation year, may be designated as Distinguished Best Performers
- Designation is determined through an annual review, with continued eligibility assessed each year

05. Ex-post Management & Communication

○ Adjustment of Ratings

- KCGS adjusts its regular ratings in cases where ESG risks and issues arise in order to provide external stakeholders with timely information.
- In cases where material ESG-related issues or other equivalent matters occur to rated companies, regular ratings are adjusted subject to committee resolution.
- **Process**



* This step may be skipped if facts concerning the material matters, attributable causes, etc. are obvious.




○ Details

Category	Details
Frequency of rating adjustment	Every quarter (four times a year)
Rating adjustment period	From after the publication of the regular ratings for the pertinent year until the publication of the regular ratings for the following year
Firms targeted for rating adjustment	Companies whose regular ratings have been published for the pertinent year
Reasons for rating adjustment	When material ESG issues or other equivalent matters have arisen
Adjusted ratings validity period	From after the publication of the regular ratings for the pertinent year until the publication of the regular ratings for the following year ; provided that an adjusted rating may remain valid continuously if the ESG risk in question is not resolved until the publication of the regular ratings for the following year.

05. Ex-post Management & Communication

○ Communication Channels for ESG Ratings

- KCGS communicates with companies and other stakeholders through various channels regarding ESG rating-related matters, with the aim of enhancing transparency and supporting improvements in ESG practices.

Communication Channel	Contents of Communication	Communication Method
 <p>KCGS ESG Rating Website</p>	<ul style="list-style-type: none"> ❖ Annual ESG rating schedule and notices on key changes ❖ Submission of ESG rating feedback materials ❖ Review of assessment results and rating reports ❖ Ongoing access via the ESG rating website 	<ul style="list-style-type: none"> • https://esg.cgs.or.kr/main/main.jsp • The website is available in Korean only
 <p>Assessment Briefing</p>	<ul style="list-style-type: none"> ❖ Annual ESG assessment schedule and major updates ❖ Key changes to assessment questions and methodology ❖ Explanations of improvements to assessment procedures and Q&A with companies ❖ Conducted on a regular basis (at least once per year) 	<ul style="list-style-type: none"> • Briefing schedules announced via the ESG rating website • Conducted primarily in a webinar format, with in-person briefings held when necessary
 <p>Others</p>	<ul style="list-style-type: none"> ❖ Support for improving ESG practices through company meetings and site visits ❖ Handling ESG assessment-related inquiries via KakaoTalk channel, official email, and telephone ❖ No individual inquiries accepted during the assessment period 	<ul style="list-style-type: none"> • KakaoTalk http://pf.kakao.com/_UGxnxas (Search “KCGS” on KakaoTalk) • Telephone : 02-3775-3339 • Official Email : esg@cgs.or.kr (ESG Ratings Division)

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