

South Korean Companies Embrace Environmental Sustainability; Human Rights and Board Independence Remain Key Challenges

A new research report launched today on the Corporate Social Responsibility (CSR) reporting practices of 10 major South Korean companies finds strong reporting on environmental issues but reveals a relatively poor understanding of and reporting on social issues, especially human rights and other stakeholder other concerns.

Seoul, South Korea//April 21, 2010//The report—*Unlocking Investment Potential: ESG Disclosure in Korean Companies*—is an initiative of the Emerging Markets Disclosure Project (EMDP) Korean team and aims to further emerging market investors' understanding of Korea's Responsible Investment (RI)/Corporate Social Responsibility (CSR) landscape; explore trends in Korean companies' environmental, social and governance (ESG) reporting; and promote greater ESG disclosure.

Since 2006, the number of South Korean companies publishing CSR reports has increased rapidly, with some even using the Global Reporting Initiative (GRI) reporting framework for guidance. However, investors and other ESG/CSR experts have expressed concerns over the quality and lack of materiality in corporate reporting; only a tiny fraction of these glossy brochures deliver greater transparency on ESG risk to investors.

The EMDP Korea report is a baseline study on the status of CSR and RI in Korea, as well as ESG reporting trends amongst a sample of 10 South Korean companies: Hynix, Hyundai Motor, KEPCO, KT, LG Chemical, LG Electronics, POSCO, Samsung Electronics, Shinhan Financial Group and SKT. The EMDP project team will use the report findings as a basis for initial engagement with these companies, with a specific focus on those areas that are identified as weak on ESG disclosure.

Key findings

- **Many Korean companies, even larger listed ones, do not publish CSR reports**, and it is hard to find any reporting within the financial service sector and amongst holding companies.
- **However, for those reporting, environmental disclosure is strong.** All of the companies analyzed cover environmental issues in some depth and some display excellent reporting on the following: environmental policies, management systems, global coverage, board-level responsibility for environmental issues, quantitative emission data and quantitative reduction targets.
- **Reporting on human rights is mostly ignored**, with disclosure on the issue being non-existent or superficial. Many commentators also find a worrying imbalance between the treatment of workers in South Korea and the treatment of the company's employees in overseas subsidiaries.

- **Most companies disclosed on at least three indicators relevant to corporate governance.** However, on the issue of separation of chairman and CEO, only five companies met this challenge, a pattern similar to that found at other large Korean companies.
- **Korean companies exhibited poor reporting of policies on political donations, which is a corruption issue very specific** to Korea, where ‘facilitation payments’ to bureaucrats have emerged as a new form of bribery. Each of the 10 companies analyzed disclosed some information on their anti-bribery activities, but few disclosed political donations.

Based on the report’s findings, the groups recommend that Korean companies begin to incorporate more systematic stakeholder involvement into their ESG strategies, monitor, audit and report social performance, and disclose political contributions.

Created in 2009, the EMDP Korean team was the first Asian team to come together under the EMDP and is under the leadership of two co-leads, Lauren Compere, Managing Director, Boston Common Asset Management, representing the overall project and Joo-won Park, Executive Director of Korea CSR Research Service (KOCSR) representing the Korean partners. In addition, global supporting partners include global ESG research providers EIRIS (UK) and Responsible Research (Singapore), and Korean supporting partners include Eco-Frontier, KoSIF (Korea Sustainability Investing Forum), Korea Corporate Governance Service, Solability and Sustinvest.

“Over the years, while we have found some Korean companies responsive to global investor concerns on sustainability issues including those we have engaged with directly, most avoid direct engagement with shareholders on these issues,” said Lauren Compere, Managing Director, Boston Common Asset Management and co-chair of the EMDP. **“We hope through this unique collaboration of global and local partners represented by the EMDP Korean team, that we can raise the bar for Korean companies on ESG disclosure and to more fully integrate shareholder engagement on these issues into their CSR practices.”**

“We are delighted to be collaborating with our global partners by providing them, through our ESG research, the information they need on current ESG disclosure trends to push Korean companies to improve their sustainability disclosure,” said Joo-won Park, Executive Director of KOCSR. **“We hope that the ESG Scorecard which we developed will be helpful for other EMDP country teams for their baseline study.”**

Peter Webster, Executive Director at EIRIS said, **“Strong and effective management of ESG issues can be used as a proxy for strong corporate governance and can also serve as an indicator of a**

company's overall management quality. Global investors need more systematic ESG disclosure from Korean companies to enable them to minimize their risks to earnings and derive long-term sustainable value within their holdings."

Unlocking Investment Potential: ESG Disclosure in Korean Companies

<http://www.eiris.org/files/research%20publications/emdpkoreanreportapril2010.pdf>

ABOUT SIF

The Social Investment Forum (<http://www.socialinvest.org>) advances investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact. The Social Investment Forum is the US membership association for professionals, firms, institutions and organizations engaged in socially responsible and sustainable investing (SRI). SIF members support SRI through such strategies as portfolio selection analysis, shareholder advocacy and community investing.

About EMDP

www.socialinvest.org/projects/iwg

The EMDP is an international initiative to improve corporate environmental, social and governance (ESG or sustainability) reporting in emerging markets. The EMDP is under the leadership of a steering committee comprised of representatives from Boston Common Asset Management, Calvert Investments and the Social Investment Forum (SIF) and SIF's International Working Group with technical advisory support from the United Nations Principles for Responsible Investment (UNPRI). SIF is the secretariat for the EMDP. PRI is also providing coordinating support for outreach with global investors for three of the country teams Brazil, India and South Korea.

The EMDP has unfolded in three phases. The first focused on assessing ESG disclosure trends and the second sought to demonstrate investor support for greater ESG disclosure among emerging market companies. The project is now in its third phase, which is focused on outreach and engagement to promote greater disclosure of sustainability factors by corporations operating in Brazil, China, India, Indonesia, South Africa and South Korea.

As of April 2010, investors with more than \$1 trillion in assets under management (AUM) have signed onto the EMDP investor statement on sustainability disclosure in emerging markets as well as supporting partners including EMDP Korean team members, Boston Common Asset Management, EcoFrontier, EIRIS, NH-Asset Management, Responsible Research, KOCSR, SolAbility and Sustinvest Co. Ltd.

About KOCSR

www.kocsr.com

KOCSR (KOREA CSR Research Service) was launched as an affiliate of The Center for Corporate Social Responsibility in 2007. It incorporated in 2008 with a group of independent shareholders: NGOs, CSR Institutes and religious organizations. KOCSR conducts comprehensive research on social, environmental and ethical performance of over 100 Korean companies. KOCSR provides Korean companies' ESG data to global and Korean investors.

About EIRIS

www.eiris.org

EIRIS is a leading global provider of independent research into the social, environmental governance and ethical performance of companies. EIRIS, a UK-based organisation with offices in the US and France together with its international research partners, has a wealth of experience in the field of responsible investment research. EIRIS provides comprehensive research on around 3,000 companies in Europe, North America and the Asia Pacific region. EIRIS is already retained by 100 institutional clients including pension and retail fund managers, banks, private client brokers, charities and religious institutions across Europe, North America, Australia and Asia.

About Boston Common Asset Management

www.bostoncommonasset.com

Boston Common Asset Management is a global investment manager specializing in sustainable and responsible equity and balanced strategies. Through rigorous analysis of financial, environmental, social, and governance (ESG) factors we identify attractively valued companies for investment. As shareholders, we urge portfolio companies to improve transparency, accountability, and attention to ESG issues.

Press Contacts:

Lauren Compere, Managing Director, Boston Common Asset Management –

lcompere@bostoncommonasset.com or +1 617 335-9764

Mark Robertson, Communications Manager, EIRIS – mark.robertson@eiris.com or +44 (0)20 7840 5741

Joo-won Park, Executive Director, KOCSR - Joowonpark.kocsr@gmail.com or +82 2 782 9436

