

SRI Action in Korea, Tuesday, 17 Jun 2003, Seoul, Korea

Deputy Prime Minister's Special Address

I. Opening Speech

I'm pleased to be here. I am Kim Jin-Pyo, the Deputy Prime Minister and Minister of Finance and Economy.

First, I would like to congratulate the Hankyoreh Newspaper for holding the first international conference regarding socially responsible investment (SRI), the concept that first comes to mind when one thinks of a shift in the finance market.

I want to sincerely thank Hankyoreh Newspaper's President, Koh Hee-Bum and Hankyoreh E&C for inviting me to be a keynote speaker in a very meaningful event.

I also want to thank Philip Moss of the UNEP and Tessa Tennant of ASrIA. Also, my gratitude goes out to Kim Geun-Tae, member of the National Assembly, for taking the time to be here. And finally I thank all the ladies and gentlemen for being here.

II. The Significance of Socially Responsible Investment (SRI)

SRI is an entirely new concept to many of those who have majored in economics, including myself. As a concept symmetrical to corporate social responsibility, it can be understood as "investment in corporations or businesses that take social responsibility."

SRI is a concept that departs from the understanding that corporations do not exist solely for profit maximization. An enterprise is an organic body that exists in society, establishing relationships with others. Corporations not only have relationships with majority shareholders, but also with minor shareholders, employees, consumers, and even the local community.

The international activities of corporations are running alongside the formation of new relationships with the world's citizens. Thus, corporations must act responsibly when it comes to other issues besides economic ones, such as environment, human rights, labor, ethics, etc.

By investing in companies that take social responsibility into account, SRI is a method of changing the behaviors of all firms. This method is market-friendly, for it does not force changes through legislation and it is accomplished through investor participation. Although it is still in its early stages, socially responsible investment is expected to feel the spotlight in the world financial markets one day.

There is an encouraging aspect to the socially responsible investment, which is the fact that it guarantees a high profit return rate. That is because consumers gladly buy products and services from companies that are socially responsible.

III. Corporate social responsibility and socially responsible investment

My dear distinguished guests!

In the current situation, there is still inadequate recognition of corporate social responsibility as well as socially responsible investment in the corporate and market world. In the course of Korea's rapid economic development, corporations strived for the maximization of short-term management productivity such as profit returns and sales. When it came to distributing the shares, the profit of the dominant shareholders always came first. Financial institutions allotted capital to corporations that contributed to economic growth. There was not enough power to turn corporate attention toward environmental, human rights, labor, ethical problems etc.

It was the government's job to resolve social problems. Over a long period of time, the government has tried to reform various systems and structures in order to solve the social dilemmas. The government's efforts at reform ranged from introducing international standards in the

environmental field to improving human rights by starting the National Human Rights Commission of Korea. The Labor Department introduced various systems to guarantee laborers' economic gains and also strengthened structures to prevent corruption among the officials and companies.

However, not all problems can be solved with legislature and systems. Conflicts due to social problems have continued despite laws and institutions. If corporations do not genuinely support the effort, it will be difficult to get rid of social problems.

It is a relief, however, to see that corporations are beginning to realize the changes in the recognition and behaviors of social responsibility. Ethical management is expanding amongst major corporations and funds are being developed to invest in environmentally friendly enterprises.

IV. Tasks to Induce SRI Henceforth

My dear distinguished guests!

Our society is rapidly transforming, through the development of the Internet and the departure of new government, into a more open and participatory society. These types of social transformations will cause tremendous changes in the relations between corporations and society.

The slight movement of a corporation could cause social waves, which in turn will bring about social reactions that corporations must deal with well. It is time for corporations recognize their social responsibilities and contribute to social problems.

From now on, the government will strive to promote the needed conditions for corporations to put social responsibility into practice. More than anything, the government will continue to promote accounting transparency and improvements in corporate governance so that corporations can guarantee transparency and a sound market. Also, active support will be given to the market that aspires to vitalize socially

responsible investment and endeavors to develop investment indexes such as a social responsibility index.

If corporations transcend economic and legal responsibilities and fulfill their social responsibility, rigid social restrictions will be reformed rationally.

V. Conclusion

My dear distinguished guests!

We are here today in this meaningful gathering, to celebrate a new financial embarking, socially responsible investment. Through socially responsible investment I believe our corporations and finance markets will mature a step further.

For this reason, I have high expectations for this first International Socially Responsible Investment Conference.

In any case, I hope many important policy suggestions, that provide further recognition of social responsibility's importance, will be made.

Thank you for your attention.