

Press Release



Responsible Dept.	Index Team of Information Project Department of Management Strategy Division		
Contract	Manager Taeyoung YANG (☎ 82-51-662-2351) Staff Jinwoo Ju (☎ 82-51-662-2354)		
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Title: KRX announced the launch of SRI Index

[Summary]

□ The Korea Exchange (KRX) plans to **provide its Socially Responsible Investment Index (the “SRI Index”) composed of excellent companies in socially responsible investment from September 14, 2009.**

○ The SRI Index is a socially responsible investment index composed of companies that demonstrates outstanding performance in corporate sustainability assessment including **environment, society and governance** from the non-financial perspective.

○ The SRI Index is also known as **Socially Responsible Investment Index** or **Sustainable & Responsible Investment Index**.

□ The SRI Index provided by KRX is a market capitalization-weighted (free-float adjusted) index with **70 components* which demonstrate outstanding performance in SRI assessment** as of January 2, 2009 (Base point: 1,000P)

***A list of SRI Index Components is attached hereto.**

- **(Component Selection Criteria)** Among companies that has BBB or higher SRI ratings and meet the criteria for assets (market capitalization) and liquidity (current ratio and trading mount), companies with overall higher ratings are selected (companies with the same overall rating are selected by market capitalization).
- **(Time of Measuring Index)** The SRI Index is measured every 10 seconds from 09:01 AM to 03:00 PM
- **(Regular Change in Components)** The components are changed on the trading day following Thursday of the second week of every September.

<Background>

- **More investors have assessed company value to make investment** based on **SRI indices** for environment, society and governance across the world. However, Korea's awareness of socially responsible investment remained low. **The awareness of socially responsible investment and sustainable management** was accordingly required to be **raised** through the development of SRI indices.
 - The global SRI market is estimated at **approximately 4.96 trillion Euros (equivalent to KRW 8,980 trillion)** as of late 2009: The European market accounts for the largest proportion.

*Europe, US and others account for 53%, 39% and 8% respectively (Source: European Social Investment Forum).

- However, the size of socially responsible investment in Korea is **approximately 2.9 trillion won** (as of 2009 May), which is very low compared to the foreign markets (Source: Korea Sustainability Investing Forum)

[Size of Global Social Investment]

(Unit: 1 billion Euros/1 trillion won, as of the end of 2009)

Division	Europe	US	Canada	Australia /New Zealand	Japan	Total
Euro	2,665.4	1,917.3	333.6	41.4	5.5	4,963.2
KRW	4,823	3,469	604	75	10	8,980

- In addition, KRX intends to contribute to establishing infrastructure to promote green investment by actively supporting the government's policy **for green finance**.

- A plan for the development of SRI Index is included in the **“Fund Inflow Plan for Green Growth”** announced by the Presidential Committee on Green Growth in July.
- Taking this opportunity, KRX is going to make an effort to further develop a green related stock index to promote green finance.

<Progress>

□ KRX has completed SRI assessment of listed companies through outside assessment service providers to develop the SRI Index in the first half of this year (2009 June).

○ **(Companies Assessed)** Considering accessibility of SRI related company information (including sustainability report), **330 mid to large sized listed companies*** have been assessed.

*KOSPI 200 components, Star Index components (30) and companies with moderate or higher corporate governance ratings (100)

○ **(Assessment Service Provider)** KRX asked **KCGS and Eco-frontier**, a representative domestic SRI assessment service provider, to jointly perform assessment to secure expertise and fairness.

○ **(Assessment Method)** The **Innovest methodology**** of **Riskmetrics***, a globally recognized US company, was used.

* Riskmetrics, having started as a division of JP Morgan, developed **VAR** (Value at Risk), a financial risk assessment methodology in 1994, and was separated from JP Morgan as a risk management consulting company in 1998. The company was merged into **Innovest (established in 1995)**, a SRI assessment service provider, early 2009.

** Innovest methodology (its official name is 'Intangible Value Assessment,' a SRI assessment method of Innovest which Riskmetrics was merged into) has been used in selecting 'World Top 100 Sustainable Companies' in the Davos Forum.

- **(Assessment Results)** Among 330 companies assessed, 131 companies (40%) was an eligible investee company (BBB rating) and **84 (25%) was an excellent company (A or higher ratings).**

Ratings	AAA	AA	A	BBB	BB	B	CCC
No. of Components (%)	40 (12%)	19 (6%)	25 (8%)	47 (14%)	55 (17%)	70 (21%)	74 (22%)

*Innovest methodology assigns 7 ratings (AAA, AA, A, BBB, BB, B, CCC).

- KRX has **finally determined a detailed index measuring method and components** by analyzing various measuring models in consideration of **index performance, convenience of asset management**, etc. based on assessment results **in the second half of this year (2009 July to August).**

<Analysis of SRI Index Components (70)>

- **(Ratings)** All of 70 SRI Index components have **A or higher ratings**: 39 components (56%) with AAA, 19 (27%) with AA and 12 (17%) with A.
- **(Market Classification)** 69 components are listed on the KOSPI and one component is listed on the KOSDAQ (Daum Communications).

*65 SRI Index components in the KOSPI market are KOSPI 200 components and non-KOSPI 200 components are Dongbu Insurance, Asiana Airline, Pulmuone Holdings and Woongjin Thinkbig.

- **(Industrial Distribution)** There are **10 components in the financial industry**, the highest number of components. In terms of market capitalization, the **electricity and electronics** industry accounts for 28% (KRW 138 trillion)*, the largest proportion.

*Market capitalization here means average daily market capitalization for three months (early May to late July, 2009)

- **(Company Size)** There are **27 components (39%)** with **one to five trillion won** of market capitalization: **Samsung Electronics** has the largest market capitalization of **88.7 trillion won** and **Asia Cement** is the smallest market capitalization of **224.1 billion won**

*Market capitalization here means average daily market capitalization for three months (early May to late July, 2009)

**For more information, please refer to “SRI Index Components by Industry and Company Size” attached hereto.

<Index Application and Expected Results>

- **The SRI Index is the first SRI index in Korea** to be applied as investable index for ETF, etc. and is expected to accordingly contribute to promoting socially responsible investment and raising companies’ awareness of sustainable management.

- **(For Asset Management Companies)** The SRI Index can be used as criteria for **creating a portfolio** of SRI, ETF, Index Funds, etc. and as a benchmark index **for performance assessment.**

- **(For Investors)** The SRI Index helps investors easily select long-term, sustainable companies and provides convenient vehicles of investment in sustainable companies for investors in listing related products like ETF.

 - **(For Companies)** The SRI Index provides mechanism for ensuring that excellent companies in SRI in the capital market are properly recognized and helps raise awareness of **socially responsible investment** and **sustainable management**.
- Taking this opportunity, KRX is planning to further develop a **green related stock index** in 2010 to make a foundation for ensuring that companies that pursue green growth is recognized properly in the capital market.

(Appendix) 1. A List of SRI Index Components (70 companies)

2. SRI Index Components Distribution
by Industry and Company Size
3. SRI Index Movement
4. Major International SRI Indices

※ This press release is available on the KRX website www.krx.co.kr.

<Appendix 1> SRI Index Components (70 Companies)

No.	Code	Company Name	Industry	No.	Code	Company Name	Industry
1	005930	Samsung Electronics	Electricity& Electronics	36	095720	Woongin Thinkbig**	Entertainment & Media
2	005490	POSCO	Metal	37	035720	Daum*	IT Service
3	015760	KEPCO	Electric Power & Gas	38	004150	Hansol Paper	Paper & Wood
4	066570	LG Electronics	Electricity& Electronics	39	017810	Pulmuone Holdings**	Holding Company
5	005380	Hyundai Motors	Automobile	40	105560	KB Financial Group	Finance
6	009540	Hyundai Heavy Industrial	Shipbuilding	41	034220	LG Display	Electricity& Electronics
7	055550	Shinhan Financial Group	Finance	42	000660	Hynix	Electricity& Electronics
8	017670	SK Telecom	Telecommunication	43	023530	Lotte Shopping	Logistics
9	030200	KT	Telecommunication	44	034020	Doosan Heavy Industrial & Construction	Machinery
10	096770	SK Energy	Chemical	45	010950	S-Oil	Chemical
11	051910	LG Chem	Chemical	46	086790	Hana Financial Group	Finance
12	053000	Woori Financial Group	Finance	47	000270	Kia Motors	Automobile
13	004170	Shinsegae	Logistics	48	009150	Samsung Electricity	Electricity& Electronics
14	035420	N H N	IT Service	49	000210	Daelim Industrial	Construction
15	000830	Samsung C&T	Construction	50	069960	Hyundai Department Store	Logistics
16	006400	Samsung SDI	Electricity& Electronics	51	009830	Hanhwa Chemical	Chemical
17	006800	Daewoo Securities	Finance	52	011780	Kumho Petrochemical	Chemical
18	042660	Daewoo Shipbuilding & Marine Engineering	Shipbuilding	53	020560	Asiana Airline**	Transportation

19	090430	Amore Pacific	Commodity	54	003410	Ssangyong Cement	Non-metallic Minerals
20	036460	Kogas	Electric Power & Gas	55	069620	Daewoong Pharmaceutical	Pharmaceutical
21	078930	GS	Holding Company	56	019680	Dae Kyo	Entertainment & Media
22	003490	Korea Airline	Transportation	57	000990	Dongbu HiTek	Chemical
23	042670	Doosan Infracore	Machinery	58	002030	Asia Cement	Non-metallic Minerals
24	001300	Cheil Industries	Chemical	59	012330	Hyundai Mobis	Automobile
25	021240	Woongjin Coway	Commodity	60	003550	LG	Holding Company
26	005830	Dongbu Insurance**	Finance	61	000810	Samsung Fire and Marine Insurance	Finance
27	097950	CJ Cheil Jedang Corporation	Food & Beverage	62	024110	Industrial Bank of Korea	Finance
28	000100	Yuhan Corporation	Pharmaceutical	63	003600	SK	Holding Company
29	000700	Hanjin Shipping	Transportation	64	004020	Hyundai Steel	Metal
30	005270	Daegu Bank	Finance	65	016360	Samsung Securities	Finance
31	030000	Cheil Worldwide	Entertainment & Media	66	006360	GS E&C	Construction
32	068870	LG Life Science	Pharmaceutical	67	002380	KCC	Chemical
33	034120	S B S	Entertainment & Media	68	012450	Samsung Techwin	Electricity& Electronics
34	093050	LG Fashion	Textile & Clothing	69	004800	Hyosung	Chemical
35	003300	Hail Cement	Non-metallic Minerals	70	051900	LG Household and Health Care	Commodity

Note 1) *: KOSDAQ Listed Companies, **: Non-KOSPI 200 Listed Companies (Four components in the KOSPI Market)

2) Industries are classified by a SRI assessment method.

**<Appendix 2> SRI Index Components Distribution
By Industry and Company Size**

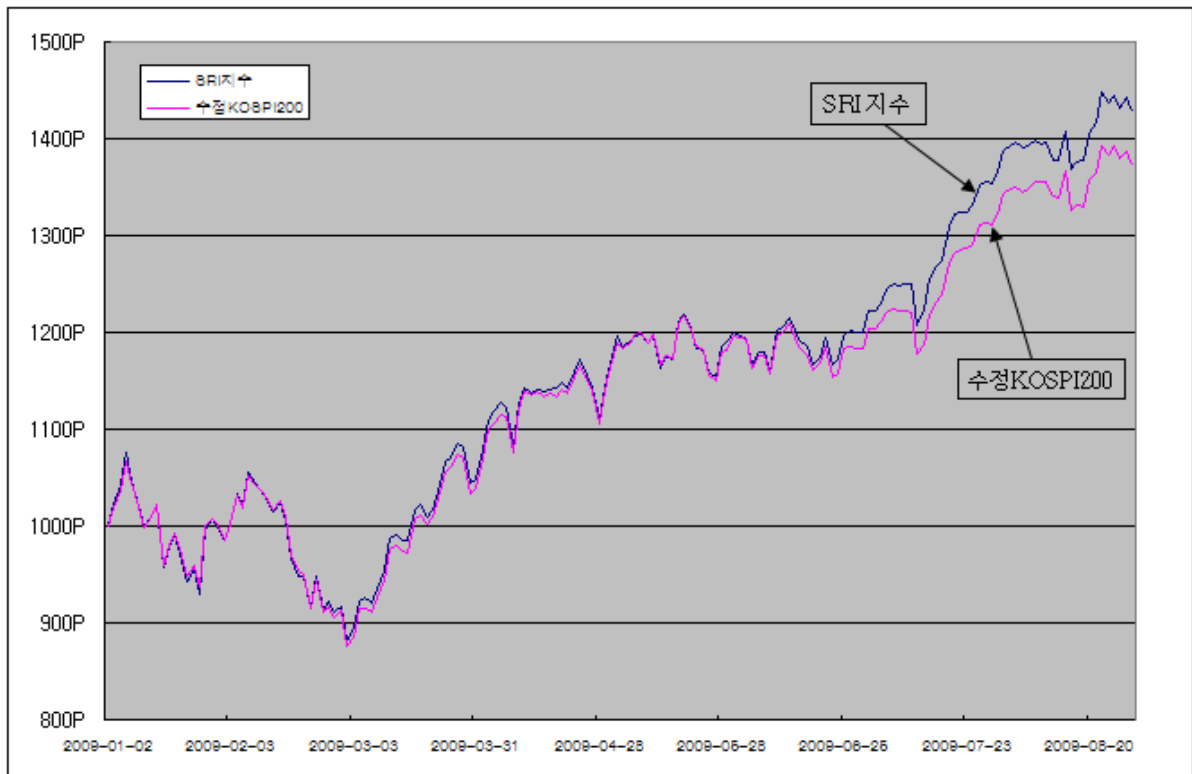
Industry	No. of Components	Rating			Market Capitalization(1 trillion won)				
		AAA	AA	A	10 or more	5~10	1~5	below 1	Total (%)
Commodity	3	2		1			3		9.2(1.9%)
Construction	3	1	1	1		1	2		13.0(2.7%)
Metal	2	1		1	1	1			42.4(8.7%)
Finance	10	5	2	3	2	4	4		74.0(15.1%)
Machinery	2	1	1			1	1		10.1(2.1%)
Non-metallic Minerals	3	1	2					3	1.4(0.3%)
Entrainment & Media	4	3	1				1	3	2.9(0.6%)
Transportation	3	2	1				2	1	5.1(1.0%)
Logistics	3	1	2			2	1		18.8(3.8%)
Food & Beverage	1	1					1		1.9(0.4%)
Textile & Clothing	1	1						1	0.7(0.1%)
Automobile	3	1	1	1	2		1		31.6(6.4%)
Electricity & Electronics	7	3	3	1	3	1	3		138.1(28.2%)
Electric Power & Gas	2	2			1		1		22.8(4.6%)
Pharmaceutical	3	2	1				1	2	3.4(0.7%)
Shipbuilding	2	2			1		1		20.0(4.1%)
Paper & Wood	1	1						1	0.4(0.1%)
Holding Company	4	2		2	1	1	1	1	18.9(3.9%)
Telecommunication	2	2			2				28.5(5.8%)
Chemical	9	3	4	2		3	4	2	37.6(7.7%)
IT Service	2	2				1		1	9.3(1.9%)
Total	70	39	19	12	13	15	27	15	489.9(100%)
(%)		(55.7%)	(27.1%)	(17.1%)	(18.6%)	(21.4%)	(38.6%)	(21.4%)	

Note) Market capitalization is average daily market capitalization for three months (early May to late July, 2009)

<Appendix 3> SRI Index Movement

- As of August 31, 2009, the SRI Index is 1,428.19P, 42.8% up from 1,000P.
- The SRI Index moves similarly to KOSPI 200. However, it has been higher than KOSPI 200 in 2009.

[SRI Index Movement (2009)]



Note) For comparison, KOSPI 200 is converted to 1,000P as of January 2, 2009 when the SRI Index is 1,000P.

※ Ref.: Retrospectively-estimated SRI Index's Rate of Return

Division	3-year (Aug-01-2006 ~Jul-31-2009)	2-year (Aug-01-2007 ~Jul-31-2009)	1-year (Sep-01-2008 ~Aug-31-2009)	6-month (Mar-01-2009 ~Aug-31-2009)	3-month (Jun-01-2009 ~Aug-31-2009)	1-month (Aug-01-2009 ~Aug-31-2009)
SRI Index	25.24%	-5.64%	14.01%	55.68%	20.02%	2.98%
KOSPI 200	18.24%	-12.94%	9.78%	50.24%	16.08%	2.21%

Note) based on the current components, SRI ratings, index measuring method, etc.

<Appendix 4> Major International SRI Indices

Nation	Index	Who assess	What is assessed (Components)	How is applied
US	Domini400 Social Index	KLD Research & Analytics(1999)	Environment, society and governance (400 US companies)	ETF listing (iShare KLD 400 Social/AMEX listing)
	DJSI (DowJones - Sustainability Index)	DowJones & SAM (1999)	Long-term company value based on economy, environment and society (317 companies worldwide*)	Future underlying Asset**
Europe	FTSE4GOOD	FTSE & EIRiS(2001)	Corporate social responsibility performance	-
Germany	DAX global sarasin - sustainability	Deutsche Börse & Sarasin(2007)	Corporate sustainability based on economy, environment and society (German Index: 34 components) (Swiss Index: 27 components)	-
South Africa	JSE SRI Index	Johannesburg Stock Exchange & FTSE(2004)	Corporate social responsibility performance of JSE listed companies (61 South African companies)	-
India	S&P ESG India	S&P, CRISIL, KLD (2008)	Environment, society and governance of NSE listed companies (50 Indian companies)	-

* The number of components is based on a representative index.

**DJSI World is listed on the Chicago Climate Exchange as an index futures product.

DJSI EURO STOXX 40 is listed on DBAG as ETF.

*** Korean companies on DJSI (as of Sep.7, 2009)

Index	No. of components	Components
DJSI World	6	POSCO, Samsung SDI, SK Telecom, Samsung Electronics*, Samsung Electricity*, Lotte Shopping*
DJSI Asia Pacific	14	KEPCO, KT, LG Chem, Lotte Shopping, POSCO, Samsung SDI, SK Telecom, Samsung Electronics*, Samsung Electricity*, Shinhan Financial Group*, Amore Pacific*, Hyundai Steel *, KB Financial Group* SK Energy*
DJSI World 80 / DJSI Asia Pacific 40	1	POSCO (as of 2009 August)

Note) * New components as of 2009 September