



·Enquiries: Foreign Spokesman, Anthony JUNG, Spokesperson's Office(044-204-7104)

Korean Government Expands the Global ESG Policy to the SMEs

- The MSS announces “ESG Plans for SMEs,” providing gradual support starting from increasing awareness of ESG for SMEs -
 - ① **(Increase awareness of ESG for SMEs)** Provide ESG checklists for SMEs to use to assess their own ESG levels, provide focused support on education and consultation services, distribute case examples
 - ② **(Create ecosystems based on the types of SMEs)** Provide customized support for individual sectors, such as providing greater support for ESG of partners of large companies, selecting additional “ESG Inclusive Companies,” and supporting exports and carbon neutrality
 - ③ **(Build governance)** Organize a private-public council to use as a continuous communication channel

Government of the Republic of Korea is determined to expand their ESG policy to the SMEs as it is highly required in response to the Climate Change, Safety Measurement and related issues nowadays.

On behalf of the implementation of Korean ESG policy towards the SMEs with the Public-Private Partnership(PPP), Ministry of SMEs and Startups (Minister KWON Chil-seung, hereafter referred to as “MSS”), Korea Federation of SMEs (Chairman KIM Ki-Mun, hereafter referred to as

“KBIZ”), and Korea Chamber of Commerce and Industries (Chairman CHEY Tae-won, hereafter referred to as “KCCI”) presided at the launching ceremony of “Private-Public Council for ESG of SMEs” (hereafter referred to as “Council”) at the KCCI on Tuesday, November 23, 2021.

<Overview of the Launching Ceremony of the
Private-Public Council for ESG of SMEs>

- **(Date-Venue)** Tuesday, November 23, 2021, 16:00-17:20 / KCCI
- **(Participants)** Minister of SMEs and Startups KWON Chil-seung, Member of the National Assembly YANG Yiwon-young from the Democratic Party of Korea, KCCI Executive Vice-Chairman WOO Taehee, KBIZ Vice-Chairman SEO Seung-won, Korea Productivity Center Chairman AHN Wan Gi, CEOs of SMEs, etc.
- **(Major Details)** Announcement of “ESG Plans for SMEs,” demonstration of online ESG self-assessment for SMEs, presentations on examples of ESG by SMEs, MOUs between related organizations, etc.

The Council consists of members of the private sector, organizations that support SMEs, and the government, and was organized with the goal to support the implementation of ESG for SMEs by listening to opinions on site, sharing information, and strengthening cooperation in the forms of discovering and making connections between different ESG support programs.

During the ceremony, the “ESG Plans for SMEs” was announced, along with other events such as demonstrations of checklists for ESG self-assessment for SMEs and signing MOUs between related organizations.

❶ Announcement of “ESG Plans for SMEs”

As ESG draws greater attention around the world, Korean SMEs are being asked to take part in ESG throughout the supply chain, by using reusable materials and improving working conditions.

Nonetheless, many SMEs are still unfamiliar with the concept of ESG*. And, even among those that are familiar with ESG consider it negative, assuming that the standards are additional regulations. As a result, it is difficult for them to take initiative and participate in ESG. In addition, there is no set assessment criteria for ESG in the public**, creating greater confusion for SMEs.

* Level of awareness of ESG (KOSMES, June 2021): Not aware: 46.7%; Somewhat aware: 41.3%; Well aware: 12%

** 600 types of assessment criteria around the world, 30 types in Korea → Vary in purpose, items, and scores for each type

After the MSS hosted an ESG seminar (July 2021) and conducted a survey on ESG of SMEs (June 2021), it was found that on-site attendees requested support measures to enhance understanding of ESG for SMEs, and asked for guidelines that are appropriate for SMEs, as well as tangible and understandable examples and cases.

Against this backdrop, the MSS concluded that in order to implement ESG for SMEs, there must be gradual steps in consideration of the status quo to develop the ESG plans*. The plans focus more on “support” rather than “regulations” to reduce the pressure for SMEs, and particularly focus on improving the awareness of ESG to encourage voluntary participation of the private sector.

* ① Increase awareness of ESG for SMEs, ② Create ESG ecosystems for SMEs, ③ Build ESG governance for SMEs

< Increase Awareness of ESG for SMEs >

Based on major assessment criteria around the world and the K-ESG Guidelines (draft) announced in August 2021, the MSS selected critical and feasible indices for SMEs* to develop the “ESG Checklist for SMEs.”

* Total of 23 indices (10 on Environment, 7 on Social, 3 on Governance, 3 on overall ESG)

The checklist consists of the minimum standards to increase awareness of SMEs, and can be used as a self-assessment. SMEs will be able to access an online system* to voluntarily assess their own ESG levels. After taking the assessment, they will automatically be given a report card of their ESG levels and future tasks to improve in individual areas.

* Korea SMEs and Startups Agency's Non-Face-to-Face Smart Self-Assessment System (K-doctor)

The checklist will undergo continuous modifications and improvements, reflecting the ideas from participating SMEs. Although there is currently only one type of checklist for all SMEs, various types of checklists based on the size, industry, and traits of individual companies (exports, high carbon use, etc.) will be available in the future.

In particular, starting from next year, some of the SME support programs will involve the self-assessment during the online registration process to encourage SME participation in the self-assessment, and to spread the awareness of ESG. In consideration of the possible pressure on SMEs, the self-assessment results will not be considered for evaluations.

Furthermore, additional support measures including customized education and consultation services for SMEs will be available, and management guidelines with multiple examples to enhance the awareness of ESG for SMEs will be distributed.

< Create ESG Ecosystems for SMEs >

To ensure that SMEs will take part in ESG, efforts for shared growth from large companies and middle-market companies are crucial. Against this backdrop, these companies will be encouraged to take part in the form of adding ESG support for partners in the shared growth index*. In

addition, companies that actively take part in supporting ESG for SMEs will be selected as additional “Inclusive Companies” and will be given incentives^{**}.

* Support for sustainable management of partner companies (ESG, CSR, etc.): Additional 0.5 points

** Exempt from regular survey on consignment deals, priorities for export support programs and middle-market company R&D programs, etc.

Export-dependent companies, which will be the first companies to be affected by the global trend of ESG, will be given greater support, including additional points when receiving foreign certifications related to ESG, and ESG guidelines by countries of export. Support measures related to carbon neutrality include specialized funds^{*} and carbon-free R&D^{**}. However, considering the extra pressure on SMEs in carbon-heavy industries, additional support measures will be planned and announced by the end of the year.

* NET-Zero Funds (2022, KRW 120 billion as proposed by the government, KOSME), renewable energy guarantee (2022, KRW 500 billion as proposed by the government, KIBO), etc.

** Develop a leading model in carbon neutrality (2022, 10 tasks), support carbon-free technology development (2022, 20 companies), etc.

Support measures for Social (S) and Governance (G) will mainly focus on encouraging voluntary participation by providing incentives for companies showing excellent performance in their respective sectors. Companies that show excellent examples of social responsibility, such as protecting workers’ rights and providing excellent employee benefits, will be given benefits including consultation services and preferential interest rates for political funds. In addition, companies will be encouraged to participate as transparent and ethical management indices will be added to the evaluation criteria for SME support programs.

< Build ESG Governance for SMEs >

The Private-Public Council for ESG of SMEs was organized not only to support the “ESG Plans for SMEs” but also to become part of a governance system to create synergistic effects based on private-public cooperation. Starting from the launching ceremony today, the Council will regularly receive ideas from the industry and hold council meetings.

② Event Details

Today’s event was joined by SMEs to try out the checklist for self-assessment, after which they were given brief explanations on future tasks to improve in each sector based on their results.

In addition, considering that the industry opinions expressed that benchmark examples, rather than theories, are more useful for SMEs, the “ESG Management Guidelines” published by the MSS that include multiple examples was distributed on site.

There was also a free discussion among the launching ceremony participants, including members from the support organizations, CEOs of SMEs, and members of ESG evaluation organizations from the private sector. The shared ideas will be considered to develop ESG support measures for SMEs and to improve the checklist. In addition, five organizations (KBIZ, KCCI, Korea Productivity Center, KOSMES, KIBO) signed an MOU to support the ESG of SMEs.

In his words of encouragement, Minister of SMEs and Startups KWON Chil-seung stated, “After listening to the thoughts of the participants on site, I felt that SMEs had insufficient awareness of and preparations for ESG. Therefore, separate support measures for SMEs were critical.”

He added, “To ensure that SMEs will not be pressured, and that they will be able to gradually respond to the changing trends, the MSS will establish mid- to long-term roadmaps to support them.”