Financial Services Commission

Press Release

May 2, 2024

GUIDELINES ON CORPORATE VALUE-UP PLAN UNVEILED TO SUPPORT LISTED COMPANIES' VOLUNTARY EFFORTS TO BOOST CORPORATE VALUE

– 2nd joint seminar on the Corporate Value-up Program was held –

- ✓ **[BACKGROUND]** The Corporate Value-up Program aims at supporting a virtuous cycle for our capital market growth by i) encouraging listed companies to develop, disclose and implement their corporate value-up plan and ii) helping investors make a well-informed decisions with disclosed information about companies' efforts to boost their corporate value.

- ✓ **[PURPOSE]** Unlike typical disclosure in which companies are required to fill in a standardized format with events previously occurred or decided, disclosure of corporate value-up plan, which mostly relies on companies' voluntary efforts, is set to include a comprehensive description of companies' future plan. In this regard, the guidelines will serve as a useful guide for companies to draw up and disclose their corporate value-up plan.

- ✓ **[PROGRESS]** The draft guidelines reflect feedbacks gathered from various stakeholders including the Corporate Value-up Advisory Group, comprised of businesses, investors and the academics; relay seminars for companies with different market cap; and IR sessions for institutional investors and foreign securities firms

- ✓ **[KEY CONTENTS]** Under the guidelines, companies are advised to select key indicators critical to enhancing their corporate value; set mid-to long-term goals; draw up and disclose concrete plans to achieve the goal, including investments in each business sector, expanding R&D investment, reshuffling business portfolio, treasury stock cancellation and dividend payout, disposal of ineffective assets, etc.

- ✓ **[FUTURE PLAN]** The draft guidelines unveiled today will be finalized in May after gathering further feedbacks and opinions, and disclosure of corporate value-up plans will start with companies that are ready to do so.

The Financial Services Commission (FSC), the Korea Exchange (KRX), Korea Capital Market Institute (KCMI) and relevant organizations held the second seminar on the Corporate Value-up Support Plan on Thursday, May 2. At today's seminar, the draft Guidelines for Corporate Value-up Plan, one of key pillars of the Corporate Value-up Program, was unveiled to gather opinions from various stakeholders.

2ND POLICY SEMINAR ON CORPORATE VALUE-UP PROGRAM

Date & Venue	· Thursday, May 2, 2024, 14:00~16:00 · Market Square Conference Hall at Korea Exchange
Remarks	· Opening remarks by Eun Bo Jeong, CEO of Korea Exchange · Congratulatory remarks by Soyoung Kim, Vice Chairman of Financial Services Commission
Presentations	1) Progress and Future Plans of "Corporate Value-up Support Plan" (KRX) 2) Key Points in the [Draft] Guidelines for Corporate Value-up Plan (KCMI)
Moderator	Professor Myung Hyun Cho of Korea University Business School
Panel Discussion	· (Relevant authorities) Financial Services Commission (FSC), Korea Exchange (KRX), Korea Capital Market Institute (KCMI) · (Investors) National Pension Service (NPS), J.P. Morgan, Mirae Asset Global Investments · (Listed companies) CJ CHEILJEDANG, KohYoung · (Academia) Seoul National Univ. School of Law, Department of Economics of Donguk Univ.

CONGRATULATORY REMARKS BY FSC VICE CHAIRMAN

FSC Vice Chairman Soyoung Kim delivered congratulatory remarks reaffirming the government's strong will towards capital market reforms. In addition to regulatory reform initiatives[1] in our capital markets that the government has made over the past two years, listed companies' value enhancement efforts will help Korea's stock market tackle Korea discount and rise steadily over mid-to long-term, Vice Chairman said.

Regarding the draft Guidelines on Corporate Value-up Plan unveiled today, Vice Chairman emphasized the importance of such plans, saying that corporate value-up plans will enable listed companies to communicate with shareholders and market participants about a comprehensive picture over the companies' future, and allow investors to better understand companies in which they are going to invest in and make well-informed decision, thereby listed companies will be able to get proper market valuation for their true intrinsic value or expected value.

He added that the corporate value-up program shall be deemed as a long-term initiative. In this regard, the guidelines unveiled today are not the end, but the beginning of our long-term plan, Vice Chairman said. Various incentives and support measures including guidelines, consulting, training, etc, will be provided to encourage active participation of listed companies, and then investors will properly evaluate companies' value enhancement efforts and reflect them into their investment decision. The government and relevant organizations will continue to support companies' corporate value-up efforts with tax incentives, development of the Korea Value-up Index, listing of ETFs tracking the Korea Value-up Index, awards for best practicing companies, etc.

[1] Three Pillars and Major Regulatory Reforms by The Government for the advancement of Korea's Capital Markets: a) establishing a fair and transparent market order – e.g. bolstered measures against unfair trading activities, ban on illegal short-selling, etc; b) improving accessibility to Korea's capital markets - e.g. abolition of foreign investor registration requirement, mandatory English disclosures, tax benefits for individual savings accounts (ISAs), etc.); c) establishing corporate management practice prioritizing shareholder values - e.g. protection for general shareholders, improvements for dividend payout procedure, corporate value-up support plan, etc.

PROGRESS AND FUTURE PLANS OF CORPORATE VALUE-UP PROGRAM

Since the Corporate Value-up Program was announced at the 1st joint seminar on February 26, the government and relevant authorities have been promoting the initiative and gathering opinions from various stakeholders including businesses and investors.

On March 7, the Corporate Value-up Advisory Group was launched, comprised of 12 experts from the academia, businesses, investors and related institutions. From March to April, the advisory group has been working for setting out the overall direction for the corporate value-up program and providing advice for establishing the draft guidelines on corporate value-up plan. They will continue their advisory works in identifying and spreading the best practices and setting up the criteria for awarding the best practice companies, which will commence from May next year.

On March 14, a seminar for institutional investors on corporate value-up program, chaired by FSC Vice Chairman, was held. At the seminar, participants agreed to reflect key factors of the corporate value-up programs into the stewardship code, paving the way for institutional investors to check whether the companies they are investing in are making corporate value enhancement efforts. As more than 200 institutional investors, including four major pension funds, have signed up for the stewardship code, the corporate value-up program will help to facilitate productive interactions between institutional investors and listed companies.

On April 2, eight incentives in three areas, which will be granted to companies chosen for Corporate Value-up Best Practice Companies Awards (to be awarded from May next year), were announced at the Seminar for Accounting and Audit Sectors on Corporate Value-up Program.

EIGHT INCENTIVES IN THREE AREAS (ANNOUNCED ON APRIL 2)

Areas		Incentives	
Tax & Accounting	①	5 preferential treatments and supports in tax policies*	Announced Feb. 26
	②	**Extra points granted when reviewed for exemption from the periodic external auditor designation requirement**	**Announced Apr. 2**
	③	**Mitigation in penalties resulting from audit review**	
Listing & Disclosure	④	**Exemption from KRX annual dues**	
	⑤	**Exemption from fees related to making changes to KRX listing status**	
	⑥	**Postponement of KRX sanctions (fines, sanctions, etc.) regarding unfaithful disclosure**	
PR & Investment	⑦	Priority for participation to KRX Joint IR	Announced Feb. 26
	⑧	Preferential treatment for inclusion in Korea Value-up Index	

* preferential treatment in Exemplary Taxpayer System, tax program fast-track (priority in R&D tax reductions review, consulting for corporate tax reductions, claim for reassessment of surtax and corporate tax), tax consulting for family-run business

The awardees will be able to receive benefits including preferential treatment in the selection of exemplary taxpayers (awarded benefits such as suspension of tax investigation, etc.), additional points in reviewing for exemption from the periodic external auditor designation requirement, mitigation of sanctions resulting from audit review or unfaithful disclosure, preferential treatment for inclusion in the Korea Value-up index, etc.

In addition, the government and related organizations have held a series of seminars and IR events with various stakeholders including investors and companies to gather feedback and opinions on the Corporate Value-up Program.

SEMINARS & IR SESSIONS ON CORPORATE VALUE-UP PROGRAM

Date	Details	Participants
Feb. 27	**IR in Singapore for overseas institutional investors** (FSC, related institutions)	Investors
Mar. 7	**Kick-off meeting & 1st meeting of Corporate Value-up advisory group** (KRX)	Investors & Businesses
Mar. 14	**Seminar for institutional investors on Corporate Value-up** (FSC, related institutions) - revision to guidelines for Stewardship Code - announcement on the direction for Korea Value-up Index development	Investors
Mar. 22	**Seminar for relevant authorities and economic organizations** (KRX, related institutions)	Businesses
Mar. 25	**IR for overseas institutional investors on ACGA** (Asia Corporate Governance Association) (KRX, related institutions)	Investors
Mar. 28	**2nd meeting of Corporate Value-up advisory group** (KRX)	Investors & Businesses
Apr. 2	**Seminar for accounting and dividend sectors on Corporate Value-up** (FSC, related institutions) - announcement on 8 incentives in 3 sectors	Businesses
Apr. 4	**Seminar for Large-cap Businesses** (KOSPI-listed, with assets more than 10tn won) (KRX)	Businesses
Apr. 11	**3rd meeting of Corporate Value-up advisory group** (KRX)	Investors & Businesses
Apr. 15	**IR for major foreign securities firms** (KRX)	Investors
Apr. 17	**Seminar for mid-market businesses** (KOSPI-listed, with assets from 2tn to10tn won) (KRX) - announcement on application of disclaimer for companies' concern over unfaithful disclosure when the goals are not met	Businesses
Apr. 18	**Seminar for Top 10 Businesses** (KRX, related institutions)	Businesses
Apr. 23	**4th meeting of Corporate Value-up advisory group** (KRX)	Investors & Businesses
Apr. 26	**Seminar for emerging businesses** (KOSDAQ-listed) (KRX)	Businesses

The draft guidelines and manual for the corporate value-up plan released today will be finalized in May after gathering opinions. With the final confirmation of the guidelines, support measures will be initiated including a web portal for the corporate value program being launched, comparison publication of investment indicators, , instruction and training programs for the board of directors and disclosure officials, consulting and English translation services for the SMEs, etc.

Disclosure of corporate value-up plan will begin with companies that are ready to do so. The Korea Exchange plans to hold on-site seminars for regional companies and continue to work to develop the Korea Value-up Index by the third quarter and list ETFs tracking the value-up index by the fourth quarter of this year.
Tax policy reforms will be also announced as soon as reviews are completed, in order to provide tax incentives for companies actively seeking to enhance their corporate value and return more to shareholders.

KEY CONTENTS OF THE GUIDELINES

The draft guidelines on corporate value-up plan include basic principles and a manual with detailed instruction on the method, examples and reference formats, etc.

The corporate value-up plan is a development strategy which relies on listed companies' voluntary efforts to boost their corporate value. In this regard, the plan has five key features: i) voluntary basis, ii) future-orientation, iii) comprehensiveness, iv) choose and focus, v) responsibility of the board of directors.

FIVE KEY FEATURES OF CORPORATE VALUE-UP PLAN

Voluntary	Whether to disclose their corporate value-up plan and what need to be included in the plan are left to companies' voluntary decision
Future-oriented	[Typical disclosures] focused on events previously occurred or decided (e.g., fiscal condition, contracts settled, etc.) vs [Corporate Value-up Plan] focused on mid-to long-term goals and plans
Comprehensive	A comprehensive report that reorganizes corporate information, scattered in various disclosures, with focus on "corporate value enhancement"
Choose and Focus	Companies are allowed to choose and focus information critical to enhancing corporate value, given their characteristics and interest from shareholders and market participants, rather than listing up every single detail specified in the guidelines
Responsibility of Board of Directors	Corporate value-up plan needs active participation of the board of directors, as the responsible decision-making body in corporate management. Report to the board of directors and deliberation and voting by the board are not mandatory, but recommended.

To support companies to draw up value-up plan tailored to their characteristics and circumstances and help investors better understand and compare such information across companies, the guidelines outlines the contents that need to be included the corporate value-up plan: Company Overview – Current Status Analysis – Goal Setting – Planning – Implementation Evaluation – Communication.

[COMPANY OVERVIEW] Under the guidelines, companies are guided to specify basic corporate information including business sectors, major products and services, company history, etc. so that the corporate value-up plan could provide a comprehensive description of the company.

[CURRENT STATUS ANALYSIS] Companies are recommended to analyze the current status of their business operation in various aspects including market environment, competitive advantages, risks, etc. and then select key indicators, among various financial and non-financial indicators, in line with their mid-to long-term goals to enhance corporate value.

For financial indicators, the guidelines provide a wide range of examples that represent market evaluation (e.g. PBR, PER, etc.), capital efficiency (ROE, ROIC, COE, WACC, etc.), shareholder returns (dividend payout, treasury stock cancellation, TSR, etc.) and growth potential (revenue, profits, asset growth etc.). Non-financial indicators involves corporate governance factors related to protection of the rights and interests of general shareholders, responsibility of the board of directors, independence of auditors, etc, which are also disclosure items under the Corporate Governance Report and matter of interest to market participants including institutional investors. For example, if a company has the issue of chain listing of parent and subsidiary, the company may explain how to protect and strengthen the rights and interest of the parent company's general shareholders. For another example where a company has an issue of controlling shareholders owning an unlisted private company, the company may provide accurate factual grounds to resolve the conflict of interest. Upon selecting the key indicators, the guidelines recommend that companies conduct a time series analysis and compare them with the industry average or those of competitors to accurately figure out their current status.

[GOAL SETTING] In setting mid-to-long-term goals in relation to key indicators, it is recommended that companies set the goals in numerical terms, but they may use alternative methods such as providing qualitative descriptions or presenting target intervals, etc.

Regarding the concerns by companies over possible penalties for unfaithful disclosure if they failed to achieve the goals, the guidelines make it clear that there are exemptions available under the KRX Disclosure Regulations[2], which will apply to predictions or forecasts in the corporate value-up plan as well. If it is inevitable to revise the goals due to sudden changes in corporate management environment, companies may adjust the goals by making a corrective disclosure.

[PLANNING] The guidelines suggest that companies need to set out specific plans to achieve the goals, which include investments by business sector, expanding R&D investment, reshuffling business portfolio, shareholder return via treasury stock cancellation and dividend payout, or disposal of assets, etc. In addition, the guidelines recommend that if companies link the compensation scheme for executives to their corporate value-up plan, it will be helpful to emphasize the companies' will to boost corporate value and encourage active participation of executives and employees.

[IMPLEMENTATION EVALUATION] As it is recommended that companies disclose their corporate value-up plan regularly on an annual basis, the guidelines ask companies to present what efforts they have made in implementing the plans in between disclosures. In doing so, the guidelines recommend that companies specify qualitative evaluations on what they did well and what needs to be improved, not just listing up what they have put in.

[COMMUNICATION] The guidelines advise that companies specify the current status, future plans and performance of their communication in regard with corporate value-up plan, given that engagement with shareholders and market participants is essential for companies to get a proper valuation about their intrinsic value. In this context, it is important for companies to develop and implement plans in qualitative terms, describing how to effectively communicate with the market, rather than simply stating quantitative terms such as how many times they have meetings with market

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2 Article 47 (Methods of Disclosing Information on Predictions, etc.) and Article 32 (Exceptions in applying Provisions on Unfaithful Disclosure) of KOSPI Market Disclosure Regulation; Article 16 (Indemnification for Predictions) and Article 31 (Exceptions in applying Provisions on Unfaithful Disclosure) of KOSDAQ Market Disclosure Regulation

participants. For example, effective ways of communication may include English disclosure for foreign investors, improving the practice in general shareholders' meeting. Creating a formal process to reflect opinions of shareholders and market participants into business management may be one of the options to facilitate a two-way communication..

WHO SHOULD BE IN CHARGE OF PLANNING AND SUPERVISING CORPORATE VALUE-UP PLANS AND HOW TO DISCLOSE THE PLANS

As it is likely that the corporate value-up plan include companies' business and management plans, it is desirable that the departments responsible for the companies' management strategy or finance take charge of preparing the corporate value-up plan. The board of directors needs to oversee whether the management properly develop and implement its corporate value-up plan. If needed, the board of directors may engage in more actively by having the plan being reported to them, then going through deliberation and approval by the board. If companies specify the dates and agenda of board meetings in their value-up plan, it will help to improve its credibility.

As the corporate value-up plan contains a considerable amount of predictions and forecasts, which are subject to corrective disclosure, it should be disclosed through Korea Investors' Network for Disclosure System (KIND) prior to selective notice to a certain groups of individuals or publication on the company's website. It is recommended that the disclosure be made regularly on an annual basis and include English disclosure for foreign investors. Companies may also make an advance notice on their upcoming disclosure – e.g. "Company A is planning to disclose its value-up plan in the X quarter of 20XX."

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For press inquiry, please contact Foreign Media Relations at fsc_media@korea.kr.

FREQUENTLY ASKED QUESTIONS

Q_1: Given that the corporate value-up plan puts emphasis on companies' voluntary participation, there may be concerns over the quality of such plans lacking key components in enhancing corporate value.

A_1: How to boost corporate value over mid-to long-term varies depending on companies' characteristics and circumstances.[3] In this regard, the guidelines are intended to help companies select what they need to focus and draw up, implement plans accordingly. Without considering these differing situations facing each company, if companies are forced to draw up and disclose their value-up plan, it may end up with a perfunctory disclosure, which is useless to investors.

As announced in the Corporate Value-up Plan on Feb. 26, the government will provide various incentives for companies to set out and implement their corporate value-up plans and supports for investors to make well-informed investment decisions, which will be led to a virtuous cycle in our capital markets.

Q_2: If companies failed to meet the goals set out in their corporate value-up plan, will they be subject to penalty for unfaithful disclosure?

A_2: Like other corporate disclosure, the disclosure of corporate value up plan may be subject to penalties for unfaithful disclosure such as designation of unfaithful disclosure corporations. However, companies will not be subject to such penalties simply because they fail to meet the goals under the corporate value-up plan.

There are exemption clauses available under the KRX Disclosure Regulations[4] for disclosure of prediction and forecast information in order to ease the burden of the companies.

According to the exception clauses, if companies provide reasonable grounds for the predictions and state a clear disclaimer[5] for exemptions, they may be exempted from penalties for unfaithful disclosure even if the business management results do not match their projections.

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[3] characteristics and competition by business sector, stages of growth, business structure, competitiveness, external risks, etc.

[4] Article 47 (Methods of Disclosing Information on Predictions, etc.) and Article 32 (Exceptions in applying Provisions on Unfaithful Disclosure) of the KOSPI Market Disclosure Regulation; Article 16 (Indemnification for Predictions) and Article 31 (Exceptions in applying Provisions on Unfaithful Disclosure) of the KOSDAQ Market Disclosure Regulation

1. The fact that the relevant statement or indication is a forward-looking statement shall clearly be noted;
2. The grounds for the assumptions or judgments relating to the predictions or projections shall clearly be noted;
3. The relevant statement or indication shall have been made based on a rational ground or assumption; and
4. For the relevant statement or indication, a clear precautionary note indicating that the predictions may differ from the actual performances shall be added.

[5] Example of disclaimer specified in the reference format (attachment) in the Manual
This plan contains forecast information based on the company's management status and business prospects, including future financial performance and business plans that have not been finalized. Please note that, depending on the domestic and international business environment, market conditions, and the company's strategic decisions, actual results may differ from the forecasts, and the contents of the plan may change in the future.

Q_3: What are the method and criteria for making corrections or additions to the corporate value-up plan?

A_3: Like other corporate disclosures, companies may make corrective disclosure if they need to make necessary corrections or additions to their corporate value-up plan. When companies need to make corrections or additions to the previously disclosed information for reasons, such as entry of wrong information or occurrence of significant changes to business and management plans, they shall state the reasons and details for the changes through corrective disclosure.

Not every single change needs corrective disclosure. When material changes that may affect investors' judgement occur and those who are responsible for the companies' value-up plan are required to make decision regarding such changes (e.g. internal approvals, voting by the board, etc.), it needs corrective disclosure.

Q_4: In order to set out a detailed corporate value-up plan, concern for exposure of confidential business information may arise.

A_4: As the corporate value-up plan is intended to enhance companies' corporate value over a mid-to long-term term, it is necessary to prevent confidential business information from being disclosed..

Therefore, companies may seek the balance between protection of confidential information and the concreteness of the plan when developing and disclosing their corporate value-up plan. The guideline manual contains further details[6] on this matter.

Q_5: When would "tax policy reforms" be announced?

A_5: Deputy Prime Minister have mentioned the overall direction for tax policy reforms including (i) easing the burden of corporate tax for certain portions of increase in shareholder returns such as dividend payouts, treasury stock cancellation, etc. and ii) separate taxation for dividend income of shareholders of companies that expanded dividend payout. (remarks by Deputy Prime Minister at the Press Meeting on April 21, etc.)

The tax reforms will be announced as soon as relevant reviews are completed.

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[6] [Status Analysis] It may be difficult to specify actual figures and other details due to constraints in information acquisition, confidentiality, etc. In such cases, simply provide a rough sketch of the necessary information for investors to gain an understanding of the respective company's business environment.

[Planning] The provision of specific business plans can help investors make informed decisions, thereby attracting more investments. However, as this poses the risk of exposing relevant strategies to competitors, a more balanced approach is critically needed.

2nd Seminar on the
Corporate Value-up Program

Congratulatory Remarks

14:00, Thursday, May 2, 2024
Conference Hall, Korea Exchange

Vice Chairman
Financial Services Commission

Ⅰ. Opening Remarks

Distinguished guests, ladies and gentlemen,
good afternoon. I am Soyoung Kim, Vice Chairman of the Financial Services Commission.

I would like to sincerely congratulate all of you on the opening of the 2nd Seminar on the “Corporate Value-up Program.”

I would like to extend my gratitude to everyone from the Korea Exchange, Korea Capital Market Institute, Korea Listed Companies Association and KOSDAQ Listed Companies Association for your efforts in organizing this seminar.

With continuing high interest from the market on the Corporate Value-up Program since its announcement at the 1st seminar in February, government and the relevant authorities have made various support plans more concrete.

In particular, we look forward to seeing active comments and fruitful discussions from the participants of the seminar, as the Guidelines for the Corporate Value-up Plan, which will be unveiled today, hold great significance in inducing direct changes in the corporate activities of listed companies.

Ⅱ. Progress of the Corporate Value-up Program

On February 26, the government and the relevant authorities announced the Corporate Value-up Program, as a part of the Capital Market Reform* initiatives that we have been continuously promoting for the past two years.

*[Reference] Three directions for Capital Market Reform initiatives
 a) establishing a fair and transparent market order (bolstered measures against unfair trading activities, ban on illegal short-selling, etc.)
 b) improving accessibility to Korea's capital markets (abolition of foreign investor registration requirement, mandatory English disclosures, greater tax benefits for individual savings accounts (ISAs), etc.)
 c) promoting shareholder values in corporate management practices (protection for common shareholders, improvements for dividend payout procedure, corporate value-up support plan, etc.)

❶The Corporate Value-up Program supports listed companies to voluntarily develop and implement corporate value-up plan to communication with the market.

❷It aims at building a virtuous cycle in the capital market where fair market valuation is given and investment is driven for the companies with outstanding corporate value or expectations for corporate value enhancement and the companies grow further based on smooth financing leading to the investors' enjoying the performance to reinvest in the companies.

❸Furthermore, in order to make this virtuous cycle sustainable, various incentives will be provided and support system will be established for the integrated web, instructions, consulting, joint IR, etc.

Since the announcement, the government and the relevant authorities have implemented the program step by step.

A dedicated department in Korea Exchange and an advisory group was newly established (March 7) and comments on advertisement of the Corporate Value-up Program and direction for setting up the guidelines were collected through organization of relay seminars for companies with various market cap, seminar for foreign institutional investors, etc.

Furthermore, institutional investors such as the pension funds applied the details for corporate value-up program to the Stewardship Code (March 14) to build the grounds for the investors to check whether the company they are investing in is participating in the program and it will enable investors to actively use the information in their investment decisions.

On April 2, measures to provide 8* incentives in 3 sectors to best practice companies were announced at the seminar for the accounting and dividend sector.

* 8 incentives in 3 sectors (tax & accounting, listing & disclosure, PR & investment) including preferential treatment in Exemplary Taxpayer System, preferential treatment granted when reviewed for exemption from the periodic external auditor designation requirement, mitigation in penalties resulting from audit review, priority in entering the index, IR support, etc. 8 incentives in 3 sectors (tax & accounting, listing & disclosure, PR & investment)

Today, we are here to unveil the draft Guidelines for the

Corporate Value-up Plan that contain balanced details reflecting the opinion from experts including the businesses, investors, the academics, etc.

The draft guidelines present five key features of the Corporate Value-up Plan, which are ①**Voluntary,** ②**Future-oriented,** ③**Comprehensive,** ④**Choose and Focus and** ⑤**Responsibility of Board of Directors**

Companies are guided to select key indicators that are tailored to their individual characteristics and important for corporate value enhancement, set mid-to long-term goals and to draw up various plans, such as investment in each business sector, shareholder return, business portfolio reform, etc.

In order to support the process, the guidelines provide the principle and the direction for each step of [Company Overview] - [Status Analysis] - [Goal Setting] - [Planning] - [Implementation Evaluation] - [Communication] and the manual illustrates detailed method to state the elements and the examples.

The guidelines and the manual is expected to be finalized and initiated by adding more comments based on the discussions today and disclosures will commence starting from the companies that are ready.

Ⅲ. Significance of the Development and Disclosure of the Corporate Value-up Plan

Answers to the question "Which information of listed companies should the investors rely on when investing in stocks?" may vary.

However, from now on, its is expected that more investors will say the answer is Corporate Value-up Plan.

This is because the key to the Corporate Value-up Plan is to actively illustrate the "future plans" for mid-to long-term corporate value enhancement, while the existing disclosures mainly talked about the "past and present" of the companies.

Furthermore, the Corporate Value-up Plan is a complete report that realigns all information scattered in numerous disclosures, such as annual report, focusing on the corporate value enhancement.

By communicating with the shareholders and market participants about the companies' comprehensive future view including not only the financial indicators, but also the non-financial indicators, investors will be able to make well-informed decision based on in-depth understanding of the companies.

The Corporate Value-up Plan holds great significance for listed companies as well.

By voluntarily developing and implementing the mid-to long-term development strategy, it could be an opportunity for the companies to truly enhance the corporate value and grow further.

Also, the disclosure of the Corporate Value-up Plan will serve as a meaningful platform for the companies to communicate with the market.

If the companies have future prospects or plans that they wish the market to pay attention to, they can actively propose such plans and if there are areas that the companies wish to resolve misunderstanding in the market, the plans may serve as a tool to clear up the misunderstanding.

Through the process of this communication, companies will be able to get fair valuation from the market on their true intrinsic value and the expected value.

When the corporate value enhancement efforts by listed companies and investment decision by the investors based on such efforts make up a productive virtuous cycle, the Korea capital market will be able to upgrade to the next level.

Ⅳ. Closing Remarks

The corporate value-up program is a long-term project, not a short-term agenda.

In particular, the Guidelines for Corporate Value-up Plan, which will be discussed today, is <u>“not an end, but the beginning”</u> of the Corporate Value-up Program. From now on, each market participant including the businesses and investors should make practical efforts for its implementation.

Listed companies may be unfamiliar with the new type of disclosure. We would like to ask for your active participation in the development and implementation of the Corporate Value-up Plan, using the support plans, such as the guidelines, consulting, instructions, etc.

Investors are welcome to make fair valuation for the companies’ efforts to reflect the true intrinsic value and expected value of the domestic listed companies in making investment decisions.

The government and the relevant authorities will provide active support to listed companies and investors to assist the seamless implementation of the Corporate Value-up Program agendas.

* Announcement of value-up tax support proposals to enhance corporate value and to encourage greater shareholder return (after finalization of the program), development of Korea Value-up Index (by 3Q), listing of Value-up-Index-linked ETF (by April), Awards to best practice companies (May next year), etc.

We will continue to promote and develop various initiatives for the capital market reform, along with timely implementation of the Corporate Value-up Program and spare no efforts to tackle Korea discount in the Korean stock market to show constant upward trend on a mid-to long-term basis.

Thank you.

[Draft] Guidelines for Corporate Value-up Plan

May, 2024

The English version is a translation of the original in Korean for information purposes only. In case of discrepancy, the Korean original will prevail.

Ⅰ. Overview of "Corporate Value-up Plan"

1. Significance of "Corporate Value-up Plan"

It is of utmost importance that listed companies make efforts to enhance corporate value in order to address the "Korea discount," which is the tendency of Korean stocks to be valued lower than international counterparts. Corporate value is defined as the aggregate value determined by considering the company's assets, future cash flow and other relevant factors. Corporate value is evaluated based on various aspects including management performance, growth potential, market conditions and social responsibilities. Comprehensive efforts are required to enhance corporate value, including efficient use of capital financed by the stock market, improving communication with the shareholders, and increasing shareholder returns.

The "Corporate Value-up Plan" is a voluntary development strategy that listed companies formulate to enhance their value. When companies develop a meaningful "Corporate Value-up Plan" and engage in active communication of the plan with the market based on their plans, it will facilitate proper valuation from the investors, in turn leading to smoother financing for the companies. The establishment of such virtuous cycle in the capital market will bring about a win-win effect for the companies, investors and the market, thus enabling Korean listed companies and the entire stock market to recognize their fair value.

2. Key Features of "Corporate Value-up Plan"

1) Voluntary

The decision to participate in the development and disclosure of the "Corporate Value-up Plan" is at the discretion of individual companies. The principle of Voluntary applies not only to the companies' decision to participate in the plan, but also to the details they choose to include in the plan, such as the kind of performance indicators they wish to focus on, or the duration over which the plan will be implemented. However, in order to enhance their corporate value and receive fair valuation from the market, it is essential for the companies to actively engage in the establishment, disclosure and implementation of the plan, as well as maintaining ongoing communicating with the market.

2) Future-oriented

The existing scope of corporate disclosure tends to be backward-looking, mainly including "facts and results performed" (fiscal condition, audit results, contract settlement, etc.) and "decisions made" (capital increase/reduction and investor relations decisions, etc.). The key differentiating feature of the "Corporate Value-up Plan" from the existing disclosure is its forward-looking nature, going beyond a mere statement of past and present status of the company, to adding explanations on active efforts of "future plans" for medium to long term corporate value enhancement.

3) Comprehensive

The "Corporate Value-up Plan" is characterized as a comprehensive report focused on corporate value enhancement that realigns corporate data scattered in the annual reports, corporate governance reports, and other disclosure of material business matters. Companies analyze their current status in a comprehensive and multi-dimensional perspective, to establish goals and plans to achieve them. Based on this, companies can present a picture of the company's current situation along with a vision of the future to shareholders and market participants.

4) Choose and Focus

The "Corporate Value-up Plan" is not about cataloging every detail, but rather encouraging companies to consider their individual characteristics, such as business sector and structure, and to focus on the areas that bear the greatest significance value enhancement that requires communication with shareholders and market participants. While "Comprehensive" involves combining corporate information across the board, "Choose and Focus" refers to the possibility of selecting the areas to emphasize by taking into account individual characteristics of the companies when deciding which specific details to include and articulate.

5) Responsibility of Board of Directors

In developing the "Corporate Value-up Plan," although reporting, deliberation, or voting by the board of directors is not mandatory, active participation of the board is required, given its role as a responsible decision-making body when it comes to corporate management. In addition, in formulating the "Corporate Value-up Plan", if reporting, deliberation or voting by the board of directors takes place, inclusion of such details, such as the date of the board meeting, content of discussion can be included in the "Corporate Value-up Plan" in order to enhance its credibility.

Ⅱ. Use of the Guideline

This guideline provides answers to the questions that may rise from the companies when drawing up the “Corporate Value-up Plan,” including inquiries on the the general framework, choice of indicators, ways to state non-financial indicators and method of disclosure of the ”Corporate Value-up Plan.”

By utilizing the table of contents and the list of segments specified in this guideline when preparing the “Corporate Value-up Plan,” it is anticipated that shareholders and the market participants will find the information more accessible and user-friendly. As under “Voluntary” and “Choose and Focus” in the key features of the “Corporate Value-up Plan,” companies are not required to fill in every detail proposed by the guideline and they may choose to leave out some of the information. Furthermore, companies are permitted to issue forecast disclosure for specific information, such as stating “XYZ: to be included in the next disclosure of the ‘Corporate Value-up Plan’,” and such forecast disclosure is accepted not only for specific sections of the plan, but also for the entire plan. For example, it can be stated “disclosure for ‘Corporate Value-up Plan’ is under deliberation and expected to be disclosed in the X quarter of 202X.”

As this guideline presents a broad description regarding the plan, it would be more effective to draw up the plan by referring to the “Manual to Guidelines for Corporate Value-up Plan,” a separately prepared to guide that provides more specific details and examples to use in drawing up the plan.

Ⅲ. Planning Department, Disclosure Method, Precautions, etc.

1. Department for Planning and Management

As it is most probable that the "Corporate Value-up Plan" will involve business or management planning, it is preferable for the management strategy department or the finance department in the company to take charge when drawing up the plan. In addition, considering the significance of the "Corporate Value-up Plan" and the board of directors' accountability, it is encouraged that the board actively engage in providing supervision for the proper development and implementation of the "Corporate Value-up Plan." This includes reporting of information, carrying out of deliberation and voting on details of the plan when necessary.

2. Disclosure Method and Timeline

Reporting of the "Corporate Value-up Plan" falls under the category of "voluntary disclosure" under the Korea Exchange (KRX) Disclosure Regulation. As such, companies are required to attach the plan through KRX Korea Investor's Network for Disclosure System (KIND) and submit it as voluntary disclosure. Although it is voluntary, it is recommended that the disclosure be uploaded on a regular basis, for example, once a year. Furthermore, it is advisable to provide an English version of the disclosure in order to enhance data accessibility to the foreign investors.

3. Disclaimers for Disclosure Method and Details

1) Reporting through Korea Investor's Network for Disclosure System (KIND)

Given its nature, it is highly probable that the "Corporate Value-up Plan" falls under information subject to fair disclosure. This implies that the disclosure through Korea Investor's Network for Disclosure System (KIND) precede any announcements on the individual company's official website. This practice ensures compliance with relevant procedures.

2) Prohibition of False Disclosure Method and Details

"Corporate Value-up Plan" is a voluntary disclosure where the provisions of designation as unfaithful disclosure companies may apply in cases of false disclosure and articles of unfair trading under the Capital Markets Act may also be applied in order to prevent unfair trading practices that may generate profits by reporting false information. However, since the goal and implementation plan drafted in the "Corporate Value-up Plan" may commonly accompany forecasts for changes in management performance and financial condition, companies should not be subjected to unfaithful disclosure or unfair trading solely due to the reason that they have failed to meet the goal or made inaccurate predictions.

3) Corrections & Addtions to Disclosure

Corrections and addtions shall be made through corrective disclosure, in cases where corrections are needed in previously submitted disclosure, for reasons such as wrong entries found in previous disclosure or occurrence of significant changes in business or management plans. In the cases of corrective disclosure, the reasons for correction and details of correction should also be provided.

Ⅳ. Elements of "Corporate Value-up Plan"

Methods for drawing up the "Corporate Value-up Plan" may vary; however, market participants will be able to understand and compare the information better when companies refer to this guideline to formulate the table of contents. The recommended structure of the plans includes: Company Overview − Current Status Analysis − Goal Setting − Planning − Implementation Evaluation − Communication. While companies are free to choose the formats and document types, the [Reference Format] in the "Manual to Guidelines for Corporate Value-up Plan" is provided as an option for convenience.

1. Company Overview

Basic corporate information, including the business sector, history, main products and services, financial performances, should be specified. Although the information may have already been disclosed in annual reports or the companies' official websites, the information will allow the "Corporate Value-up Plan" itself to function as a comprehensive report.

2. Current Status Analysis

1) Business Status Analysis

In order to select appropriate key indicators for corporate value enhancement and to map out specific implementation plans, a multidimensional and multifaceted review of the business status should be implemented. This includes analysis such as the business model, domestic and overseas market conditions and competitiveness of the companies.

	Examples of Major Factors to Consider
Business Model	- Classification of major business sectors, types and characteristics of major products and services, analysis of revenue and profits for each business sector, proportions, etc.
Market Environment	- Market characteristics and size, competition environment, penetration rate of the companies and status in the market, etc.
Competitive Advantages	- Major factors to gain competitive advantage, such as human and physical resources and technical skills, etc.
Risk Factors	- Major risk factors in terms of macroeconomics, industries and individual companies, etc.

2) Selection of Indicators

Companies should select indicators that are relevant to the medium to long term value enhancement of the company by considering the characteristics that include the industry in which the company is involved, business structure, stages of growth, interests of shareholders and market participants, etc.

- **[Financial Indicators]** Financial indicators can be largely classified into market evaluation, capital efficiency, shareholder returns, growth potential, etc. Representative indicators for each category are as follows. Companies can autonomously choose the indicators that are most suitable for the purpose of their value enhancement by considering individual characteristics of the companies, such as the business sector. Since the indicators listed below are provided as examples, companies are not to be limited to the examples and they may choose and use new indicators.

	Examples of Major Financial Indicators
Market Evaluation	- PBR (Price to Book Ratio), PER (Price to Earnings Ratio), etc.
Capital Efficiency	- [Return on Capital] ROE (Return on Equity), ROIC (Return on Invested Capital), etc. - [Cost of Capital] COE (Cost of Equity), WACC (Weighted Average Cost of Capital), etc.
Shareholder Returns	- [Dividend] Amount of dividend, Dividend payout ratio, Dividend yield ratio, etc. - [Treasury Stock] Treasury stock holdings, New acquisition, Cancellations, etc. - [Integrated] TSR (Total Shareholder Return), Shareholder return ratio, etc.
Growth Potential	- Revenue growth, Operating profit growth, Asset growth, etc.
Others	- Asset portfolio (operating/non-operating asset, etc.), FCF (Free Cash Flow), Debt ratio, etc.

- **[Non-financial Indicators]** Non-financial factors are also significant elements to consider when enhancing the corporate value on a medium to long term basis. In particular, "corporate governance" is one of the most representative non-financial factors and it is pointed out as one of the contributing factors to lower valuation of companies in the domestic stock market.

  In terms of corporate governance, with the aim to enhance the rights and interests of common shareholders and to strengthen board accountability and audit independence, companies may refer to details for disclosure specified in the guideline for "Corporate Governance Report" of the Korea Exchange to focus on the connectivity with medium to long term corporate value enhancement and interest of the shareholders and market participants when selecting and using specific indicators.

3) Analysis of Indicators

Recent trends, the competitive advantages and disadvantages and related causes can be identified through various analysis of the indicators such as time series analysis, industrial average or comparison with the competitors and detailed analysis of sectors (e.g., industrial sectors, operating regions, etc.).

3. Goal Setting

Goals shall be set based on the result of current status analysis. In order to meet the purpose of the "Corporate Value-up Plan," the goals shall aim at enhancing corporate value in a sustainable manner and they shall be medium to long term goals, rather than temporary or stopgap measures.

While it is preferable that the goals be presented clearly by using numerical data, qualitative description is also applicable at need. To be specific, non-financial indicators fall under this case since it is difficult to quantify them. Also, it is practicable to set the target period or figures not only in simple numbers, but in certain intervals when presenting goals for financial indicators (e.g., aimed at achieving ROE X% or higher continuously in between 20XX and 20XX). Meanwhile, corrections and additions may be made to pre-set goals through corrective disclosure if it is inevitable to change the goals due to abrupt changes in management circumstances.

4. Planning

Detailed plans shall be stated for the achievement of the goal. The range of goals may vary from bolstering specific business sectors, expanding R&D, investing in human and physical resources, business portfolio reform, shareholder return efforts including cancellation of treasury stocks and dividend payout to disposal of inefficient assets.

If the plan is properly associated with the business status presented in the current status analysis, it will be able to enhance consistency in the "Corporate Value-up Plan." In order to make the plan more persuasive, valid grounds, such as the funding process, shall be presented for massive capital expenditures. It is recommended that the plans be drawn up for each stage, in order to enable monitoring of implementation process of the plan. This will also allow market participants to acknowledge the risk factors that may erupt during the implementation of the plan. Last but not least, when the stages of goal accomplishment and the stages of plan implementation of the "Corporate Value-up Plan" are aligned with the compensation scheme of the executives and staff, the executives and staff will be more willing to carry out the plan and actively participate in the program.

Meanwhile, companies may adjust specific level of the plan by considering factors such as confidentiality of management, and corrections and additions may be made to the pre-set plans through corrective disclosure if it is inevitable to change the plans due to abrupt changes in management circumstances.

5. Implementation Evaluation

For "Corporate Value-up Plan," disclosure is recommended on a regular basis (e.g., once a year) and it shall include what kind of specific implementation efforts were made pursuant to the plan in between regular disclosures. If the previous disclosure presented a yearly plan, the level of achievement in every competent year shall be stated. It is recommended that the companies not only state the results, such as what kind input they made or how much accomplishments they made, but also state "evaluative factors" that include what is done well and which areas need improvements. This implementation evaluation may be reflected in the current status analysis, goal setting and planning of the new "Corporate Value-up Plan."

6. Communication

Communication plays an important role for companies to get fair valuation from shareholders and market participants who will be able to make well-informed investment decisions. If a company is having lower market value compared to its intrinsic value, communication will serve as an effective tool to narrow the value gap.

Companies are to submit the status, plan and performance of communication with the shareholders and market participants. While it should include communication channels, subjects and frequency in detail, it should not be a mere quantitative entry such as counts of meetings, but a qualitative entry that includes specific ways to promote effective communication. For example, it may include disclosure of English translation of "Corporate Value-up Plan" for foreign investors, enhancement of effectiveness for shareholder proposition process and improvement in general shareholders' meeting culture. It is also recommended to introduce practical results if there are actual cases where communication efforts have ultimately been reflected in corporate management.

(Draft) Manual to Guidelines for Corporate Value-Up Plan

May 2024

The English version is a translation of the original in Korean for information purposes only. In case of discrepancy, the Korean original will prevail.

[Contents]

Ⅰ. Manual Overview

1. Objective of the Manual

It is **left to the discretion** of listed companies (hereinafter referred to as the “companies”) whether to develop and disclose the Corporate Value-Up Plan (hereinafter referred to as the “Plan”) and what to include in the Plan. While such freedom provides the companies with greater convenience, it may also **seem overwhelming**, as it requires the companies to analyze their current status and draw up medium-to long-term goals and business plans from a comprehensive perspective **without any standardized format**.

As the Plan aims to highlight goals and plans for corporate value enhancement **from a comprehensive and forward-looking perspective**, it is expected to take firm root as **a significant means of communication with shareholders and market participants for the companies.** Therefore, it is recommended that each company **come up with a Plan that is best aligned to their individual characteristics** and use it for effective communication.

This manual (hereinafter referred to as the “Manual”) was created to **make it more convenient for the companies to develop an effective and tailored Plan,** centered on **information required by shareholders and market participants**. This Manual provides specific **details and num erous illustrative examples** related to the main principles outlined in the Guidelines on the Corporate Value-Up Plan (hereinafter referred to as the “Guidelines”).

2. How to Use the Manual

This Manual offers **a variety of components** that may be included in each section of the Plan, based on **the table of contents of the Guidelines** (Company Overview – Current Status Analysis – Goal Setting – Planning – Implementation Evaluation – Communication), as well as the **significance, description method and specific cases** of each component. More detailed explanations are provided for components that companies should particularly emphasize. Companies are free to **select the components suited to their characteristics and refer to them** in developing the Plan. Companies should not feel constrained by the Manual, and instead flexibly create their own Plans **based on the information and formats deemed appropriate**.

3. Updates and Revisions

This **Manual will be periodically updated** based on communication with investors, and in-depth examinations of actual cases of Plans. The **latest updated version of the Manual**, along with the Guidelines, can be accessed through **the Corporate Value-Up integrated website, within the Korea Investors’ Network for Disclosure System (KIND)**.

Ⅱ. Explanation of Components of the Guidelines

1 Company Overview

- **[Overview]** Include **basic information on the company,** such as business sector, major products and services offered, corporate history and financial condition.

  · It is recommended to also include the information already disclosed in the annual reports or company website so that **the Plan can function as a complete report on its own**.

1) Company Name:

2) Listed Market:

3) Company Overview

CEO		Largest Shareholder (Share Ratio)	
Business Sector		Major product and service	
Corporate History			

4) Summary of Recent Financial Statements

(Based on consolidated financial statements, unit: KRW 1 million)

	FY20XX	FY20XX	FY20XX
Revenue			
Operating profit			
Net profit			
Total assets			
Total liabilities			
Total equity			

- **[Corporate History The content does not have to be equivalent to that of the annual report. It should focus on the key features and details pertaining to the overall Plan.**

- **[Financial Statements]** Financial indicators other than ones illustrated above can be provided. Also, depending on the characteristics of the company both consolidated and separate financial statements can be provided.

2 Current Status Analysis

- Analysis of the current value of the company is **the groundwork needed prior to goal setting and planning** for corporate value enhancement. Assessment of corporate value takes into account the **business status analysis** along with **key financial and non-financial indicators**.

1. Business Status Analysis

- **[Business Model]** Business status analysis methods may vary, but the most commonly employed method is to present details including factors such as **business developments, revenue and profit along business lines**.

  · Categorization by business lines can provide **a useful framework** for the Plan, including the [Planning] section, by helping establish **more feasible and specific strategies** suited to the individual characteristics of **different business lines** . However, the required information may also be presented **in an** consolidated format, if it is deemed more effective not to break it down into different business lines.

- **[Business Environment]** For **a multidimensional and multifaceted review** of the business status, analysis could be made on aspects such as **market environment, competitive edge, and risk factors.**

  · It may be difficult to specify **actual figures and other details** due to constraints such as information acquisition and confidentiality. In such instances offering a general overview of essential information can still help investors to gain an understading of the company's business situation.,

  · **Present information for each factor by business line** if it is deemed difficult to give an integrated, company-wide description due to varying characteristics of different business lines.

Category	Examples
Business Model	- Classification of major business lines - Type and characteristics of major products and services - Analysis of revenue and profits for each business line , revenue shares, , etc.
Market Environment	- Market characteristics and size - Competitive environment - Market share, ranking, etc.
Competitive Edge	- Human and physical capital , competitive advantage factors , etc.
Risk Factors	- Major risk factors in macroeconomics, industry, company specific, etc.

[example] Business Status Analysis 1

Business Status Analysis

	Operating profit in 2024 YoY (unit: KRW 1bill)		Business status
Corporate Solution	75.8	74.0	• Decline in overall market profitability due to competitors' price-cutting strategy • Expansion of overseas business in the United States and Europe in response to declining domestic sales
Consumer Electronics	58.0	41.2	• Disruption in the supply of consumer electronics due to recent global supply chain disruptions • Production delays and rise of transportation costs in China and other major manufacturing countries
Green technology Solar Solution	37.4	28.6	• Rising solar installation costs due to reduction of government subsidies • Rising price of silicon and other raw materials that are crucial to manufacturing solar panels
Green technology Wind Energy System	23.8	11.5	• Strengthened environmental regulations and reduction of government support related to wind power generation • Rising R&D costs to develop next-generation wind turbines
Green technology Energy Storage Solution	42.3	△0.2	• R&D costs to develop high-performance battery technology higher than originally expected • New competitors entering the energy storage solution market and implementing low-price policies to win over the competition

[example] Business Status Analysis 2

Business Status Analysis

- The Digital Healthcare business sector is seeing a rapid increase in revenue thanks to strong domestic demand and expansion into the overseas markets.
- The Health Food business sector is experiencing a slightly slowing revenue growth rate as market competition becomes fiercer, leading to increase in R&D to develop new products.

Unit: KRW 100M

		2021	2022	2023	Average annual growth rate (2021-2023)
Digital Healthcare	Net revenue	90,446	122,323	141,312	25.0%
	Operating profit	7,109	7,376	7,494	2.7%
	Ratio to net revenue	7.9%	6.0%	5.3%	-
	Net profit	10,247	10,759	10,946	3.4%
	Ratio to net revenue	11.3%	8.8%	7.8%	-
Health Food	Net revenue	84,182	92,191	100,743	9.4%
	Operating profit	13,751	16,379	16,740	10.3%
	Ratio to net revenue	16.3%	17.8%	16.6%	-
	Net profit	16,129	18,945	19,560	10.1%
	Ratio to net revenue	19.2%	20.6%	19.4%	-

2. Selection of Indicators

- Select key **indicators concentrating on those that are most relevant to corporate value enhancement. Also, provide the rational for selecting the indicators, if possible. descriptions of the selection rationale** if possible.

  · Key indicators may include **financial indicators, non-financial indicators, and indicators that require qualitative description** due to challenges in quantification. In line with **the purpose of the Plan**, it is advisable to include **information that shareholders and market participants require** in the investment decision process.

2-1. Financial Indicators

- Financial indicators are largely divided into the categories of **market valuation , capital efficiency, shareholder return, and growth**. The company can select indicators suited to **its individual traits** (type of business, etc.) among those proposed here or **employ alternate indicators to those proposed below**.

	Examples of Major Financial Indicators
Market Valuation	- PBR (Price to Book Ratio), PER (Price to Earnings Ratio), etc.
Capital Efficiency	- [Return on Capital] ROE (Return on Equity), ROIC (Return on Invested Capital), etc. - [Cost of Capital] COE (Cost of Equity), WACC (Weighted Average Cost of Capital), etc.
Shareholder Return	- [Dividend] Amount of dividend, Dividend payout ratio, Dividend yield ratio, etc. - [Treasury Stock] Treasury stock holdings, New acquisition, Cancellations, etc. - [Integrated] TSR (Total Shareholder Return), Shareholder return ratio, etc.
Growth	- Revenue growth rate, Operating profit growth rate, Asset growth rate, etc.
Others	- Asset portfolio (operating/non-operating asset, etc.), FCF (Free Cash Flow), Debt ratio, etc.

<Market Valuation >

- **[PBR]** Price to book ratio (PBR), **the ratio of the market value of equity to its book value**, serves as the representative market valuation indicator. In general, a PBR over (under) 1 means that a company’s market assessed value of future value creation by the company is higher (lower) than shareholders’ capital.

- **[PER]** Price-earnings ratio (PER), calculated by dividing **a company’s share price by its earnings per share (EPS)**, **shows whether a** company’s share is overvalued or undervalued compared to its net earnings. The PBR’s net book value of assets is a stock variable and the PER’s EPS is a **flow variable**. Analsysis using these variables should take into consideration their characteristics.

<Capital Efficiency>

- **[ROE]** Return on equity (ROE) refers to the **profit margin created using shareholders' capital**. Thus, it is an indicator that shows how effectively a company utilizes its capital to generate profit for shareholders. ROE can be selected as an indicator when a company's capital structure is stable and debt dependence is low.

- **[ROIC]** Return on invested capital (ROIC) refers to **a company's profit margin generated by using invested capital**. ROIC is useful for assessing business performance in capital-intensive industries (manufacturing, energy, etc.), as it is a measure of a company's overall invested capital efficiency.

- **[RORA]** Return on risk assets (RORA) is the **return on risk-adjusted assets,** used to calculate a company's profitability with consideration of the risk levels of its assets. RORA is useful for gauging risk-based profitability of a financial institution that operates asset portfolios of varying risk levels.

- **[COE]** Cost of equity (COE) is the **cost required to raise shareholders' capital**. Unlike debt financing that requires adherence to certain rules including the interest rate, COE reflects shareholders' expected return based on uncertain cash flow in the future, which can only be **estimated for application**.

- **[WACC]** Weighted average cost of capital (WACC) is calculated as **an average cost of equity capital and debt capital weighted by the proportion of each**.

<Shareholder Return>

- **[Dividends and Treasury Stocks]** Companies can increase capital efficiency, as well as profits for shareholders, through **the distribution of free cash flow to shareholders** or **buyback and cancellation of treasury stocks**. To build mutual trust with investors and attract long-term investments, companies must accurately identify and assess their shareholder return status. **Related indicators include amounts of dividend payout, dividend payout ratio, dividend yield ratio, newly acquired treasury stocks and their cancellation.**

    · Market participants are taking greater interest in the number of **canceled stocks** and **disposal of stocks held**, rather than the scale of newly acquired shares.

- **[Total Shareholder Return]** **Total shareholder return (TSR)** shows the total return to **shareholders** for a certain period of time (normally one year). It is a combination of the stock price variation rate and dividend yield ratio. **TSR** is the measure of a company's spending on dividends and the buyback of treasury stocks.

<Growth>

- **[Revenue/Profit Growth Rate]** The company may select strategies **focused on the growth of revenue or profit,** instead of market valuation, capital efficiency and shareholder return in accordance with its characteristics **(growth stage, characteristic of business sector, market strategy, etc.)**. In such instances , the Plan should be **centered on growth-related indicators**.

  · For companies focused on growth indicators, in [Goal Setting], alongside presenting pertinent target values, a compounded objective can be presented, such as “focusing on growth over the next X years and, once the desired financial outcomes are achieved, utilizing free cash flow for shareholder returns from 20XX to 20YY”.

- **[Others]** For companies in sectors such as IT and biotechnology, , corporate growth can be analyzed based on **increases in R&D investment or intangible assets (patents, intellectual property, etc.)** instead of revenue and operating profit growth rate, as technological innovation and entry into new markets are the two decisive factors that drive their growth.

<Others>

- Financial indicators, other than major ones suggested above, may be selected if deemed **necessary for corporate value enhancement** or **related to information required by shareholders and market participants** for the assessment of the respective company’s true value.

  · **“Free cash flow”** can be selected as an indicator to highlight a company’s **capabilities for production facility expansion, M&A, dividend payout, etc.** Those companies **evaluated** to have excessive non-operating assets or liabilities **by market participants** can select relevant indicators such as the **“operating/non-operating assets ratio”** or **“debt-to-equity ratio.”**

2-2. Non-Financial Indicators

- Although corporate value is ultimately represented through financial indicators, **non-financial indicators often significantly affect midium-to long-term corporate value**. The level of **corporate governance** of listed companies in Korea is known to be **one of the major undervaluation factors** for Korea’s stock market. Depending on the characteristics of certain companies, **environment-related** indicators (carbon emissions, etc.) and Corporate Social Responsibility **(CSR)-related** indicators can be decisive in gauging midium-to long-term corporate value. As such, companies can **devise improvement plans by selecting non-financial indicators** closely related to its corporate value.

<Governance>

- **[Overview]** Companies can identify different aspects of corporate governance such as **shareholder, BOD and auditing organization. Based on this analysis companies** can present **enhancement measures for the reflection of shareholders' opinions, Board of Directors (BOD)' responsibilities and audit independence** in [Goal Setting] and [Planning] accordingly.

  · **Diverse examples:** Corporate governance, unlike financial indicators, is **a highly abstract element** with **no clear criteria for analysis**. In this context, this Manual **proposes a wide range of governance-related elements that have been continuously mentioned in the Corporate Governance Report** or by **institutional investors, academic/research circles, etc**.

  · **Choice and focus: Companies do not have to include all elements of corporate governance** introduced in the Manual\. In chosing the relevant corporate governance indicators, companies should take into consideration, 1) the elements viewed as **improvement points to achieve corporate value enhancement**
  2) the elements deemed to require **the resolution of misunderstanding** by shareholders and market participants **through communication** to be included in the Plan.

- **[Corporate Governance Report]** The KRX offers 15 **key governance indicators** and **diverse disclosure items** in relation to the **Corporate Governance Report** for reference. **Companies other than those subject to the mandatory disclosure of the Corporate Governance Report** can also **freely select and present** indicators deemed **significant in terms of their corporate value enhancement** by referring to **the Guidelines for Corporate Governance Report**.

  · The 15 **key governance indicators** consist of the following: 5 indicators related to **shareholder rights enhancement**; 6 indicators related to **the organization, responsibilities and operation of the BOD**; and 4 indicators related to **the expertise and independence of the auditing organization**.

    ▹ The indicators related to **shareholder rights enhancement** include compliance with the requirements to announce the convening of a general shareholders' meeting at least 4 weeks in advance, execute electronic voting, etc. The indicators related to **the organization, responsibilities and operation of the BOD** include the preparation and implementation of the CEO succession policy, introduction of cumulative voting, etc. The indicators related to **the expertise and independence of the auditing organization** include the installation of an independent internal auditing organization, availability of an accounting/financial expert within the respective organization, etc.

  · In the **Guidelines for Corporate Governance Report, diverse items to be included** are specified in addition to the 15 **key governance indicators**. Some of these items are listed in the following table.

	Major details to be included in the Corporate Governance Report
Shareholder	- Establishment and introduction of the process related to shareholder proposals and open letters to shareholders - Control of unfair insider trading and self-dealing - Protection of the rights of dissident shareholders concerning changes in ownership/equity structure
BOD	- Establishment of proper organizational units such as BOD support units - Expertise, accountability, and diversity in BOD composition and fairness in director appointment - Establishment of the support system and ex post evaluation system for independent directors
Auditing organization	- Establishment of the support system for the internal audit organization - Measures to ensure independence and expertise when appointing an external auditor

- **[Other Indicators]** The company can **select from a range of corporate governance-related indicators**, in addition to the disclosure elements specified in the Guidelines for Corporate Governance Report, **based on its individual needs** to better **communicate** with shareholders and market participants.

  · One such example is the **chain listing of the parent and subsidiary**. This occurs through **the physical division of a business sector with high growth potential into a subsidiary and its listing** by the listed parent company. In this regard, companies is advised to communicate their plan to **protect and promote the rights and interests of the parent company's general shareholders** or to **maintain the unlisted wholly owned subsidiary.**

  · Another example is the **possession of an unlisted private company by a controlling shareholder or specially related person** of a listed company. In such case, listed companies can **provide accurate factual grounds, etc.**, or specify **measures to resolve the conflict of interest.**

  · **The reinforcement of audit independence through the separate election of audit committee members** could also be a good example where companies provide the status of separate election of audit committee members, future plans, etc.

<Other Non-Financial Indicators>

- Non-financial indicators related to the **environment** or **CSR** can be selected, if deemed to have **a significant impact on corporate value** based on the respective company's traits.

  · Those companies evaluated to have high carbon emissions are likely to be taking diverse steps to mitigate their carbon emissions, and market participants are also likely to be interested in information about such efforts. These companies are recommended to include such relevant details in the Plan.

3. Analysis of Indicators

3-1. Analysis of Financial Indicators

- **[Overview]** Current Status Analysis can be performed through diverse approaches to indicators including **time-series analysis, comparison with industrial average or competitors, and detailed sector-specific** (by business sector, sales district, etc.) **analysis**.

  · The quality of analysis can be enhanced by **going beyond the mere provision of figures** and **elaborating on the causes** of time-series trends or the company's strengths/weaknesses compared to its competitors.

- **[Return on capital against capital cost]** Presenting return on capital along withcapital cost can provide **insights on capital efficiency.** . A return on capital lower than the capital cost indicates the company's failure to create new value financially. The accurate estimation of capital cost is necessary to diagnose whether the company's current return on capital is sufficient.

  · **COE calculation: The Capital Asset Pricing Model (CAPM)**, a risk premium estimation method, is mainly used to calculate the expected return demanded by investors. However, other methods can also be employed, including **the dividend discounted model and others recommended through surveys targeting institutional investors**.

$$r_E = r_f + \beta(r_m - r_f)$$

$$r_E = CoE,\ \ r_f = Risk\ free\ rate,$$

$$\beta = Beta,\ \ r_m = Average\ market\ return$$

  ▹ The estimated COE may vary widely depending on the parameters defined and calculation methods selected by individual companies. As such, it is necessary for companies to **communicate to investors** factors used in estiamtion of the CEO such as assumptions, calculation methods, and parameters.

· **WACC calculation:** WACC is calculated by **averaging the estimated cost of equity capital and debt capital, weighted according to its proportion in the total capital structure. The formula for calculating WACC is provided below:**

$$WACC = \frac{D}{D+E} \times r_D(1-t) + \frac{E}{D+E} \times r_E$$

$$D = debt, \quad E = Equity$$

$$r_D = Interest\,rate, \quad r_E = CoE, \quad t = Tax\,rate$$

▹ The WACC varies by each company's capital structure, which is the equity-to-debt ratio. Through WACC calculation, each company can assess whether its current capital structure is optimal with consideration of financial soundness and COE.

· **Spread analysis**: Spread analysis can be performed by **comparing ROE with COE and ROIC with WACC**.

- **[Decomposition Methods]** Major financial indicators can be decomposed as combinations of other financial indicators of significance. The following are some of the widely used decomposition formulas.

· **PBR decomposition:** PBR is calculated by multiplying ROE by PER.

$$PBR = PER \times ROE$$

▹ Companies can identify **the cause of a low PBR** by using the above formula. It helps assess whether the issue arises from a low ROE due to a high-cost production structure and decrease in market demand or a lack of a long-term growth strategy such as new product development and R&D investment (PER).

▹ The relationship between PBR and ROE in the specific industry can be examined using a **statistical dispersion graph**, which can also be used to analyze each company's standing.

· **PER decomposition:** PER is determined by **COE, expected growth rate, and dividend payout ratio** as shown below. For example, a low PER is caused by a high COE and/or low expected growth rate and dividend payout ratio.

$$WACC = \frac{D}{D+E} \times r_D(1-t) + \frac{E}{D+E} \times r_E$$

$$D = Dividend\ per\ share,\quad E = Earnings\ per\ share$$

$$k = CoE,\quad g = \text{Expected}\ (dividend)\ growth$$

▹ Companies with high growth potential mostly show high expected growth rates. However, their COE can also be high due to risk premiums resulting from business uncertainties or a lack of understanding of investors. Both growth and COE must be analyzed if PER is low.

· **ROE decomposition:** ROE is calculated by multiplying **net profit margin by asset turnover and financial leverage** as shown below.

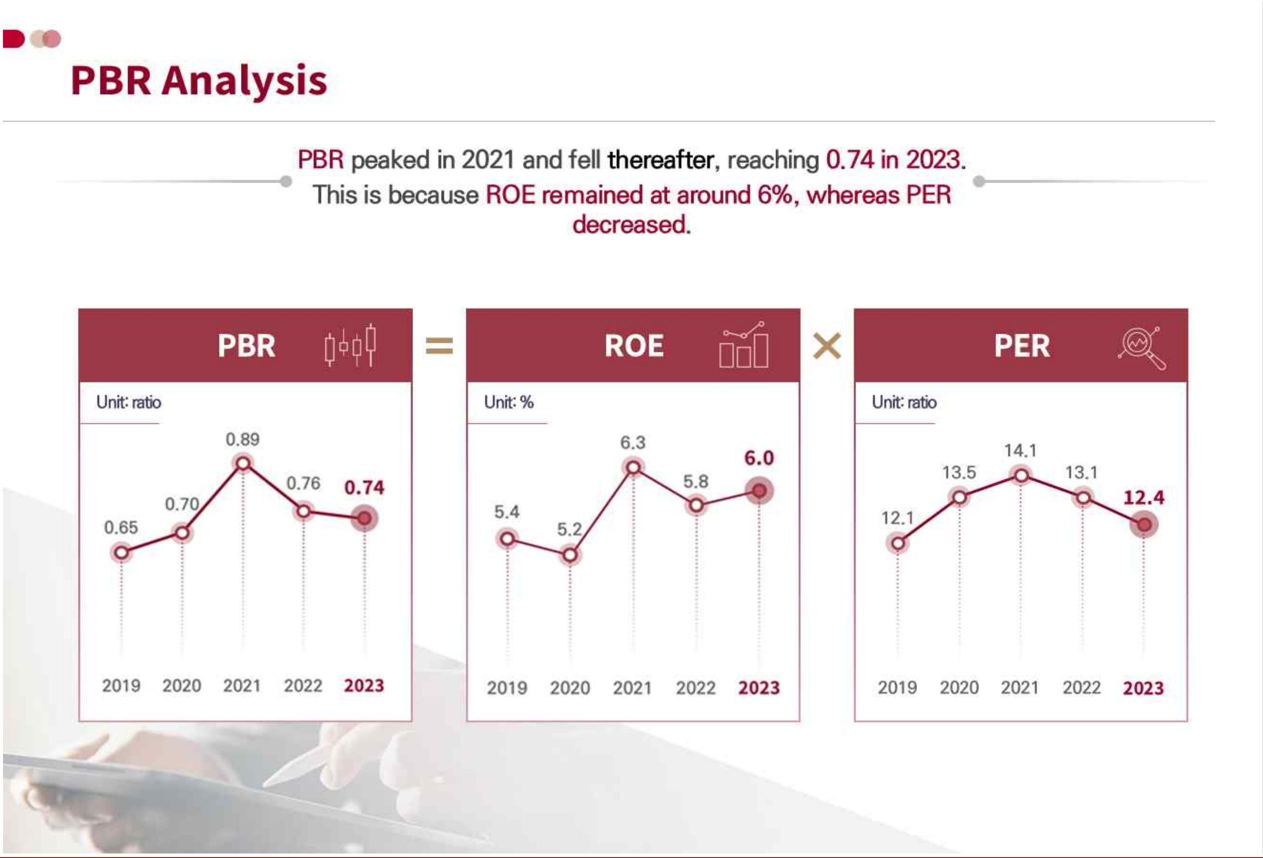
$$ROE = (Profit\ margin) \times (Asset\ turnover) \times (Financial\ leverage)$$

$$\left(\frac{Net\ profit}{Sales}\right) \qquad \left(\frac{Sales}{Total\ assets}\right) \qquad \left(\frac{Total\ assets}{Equity}\right)$$

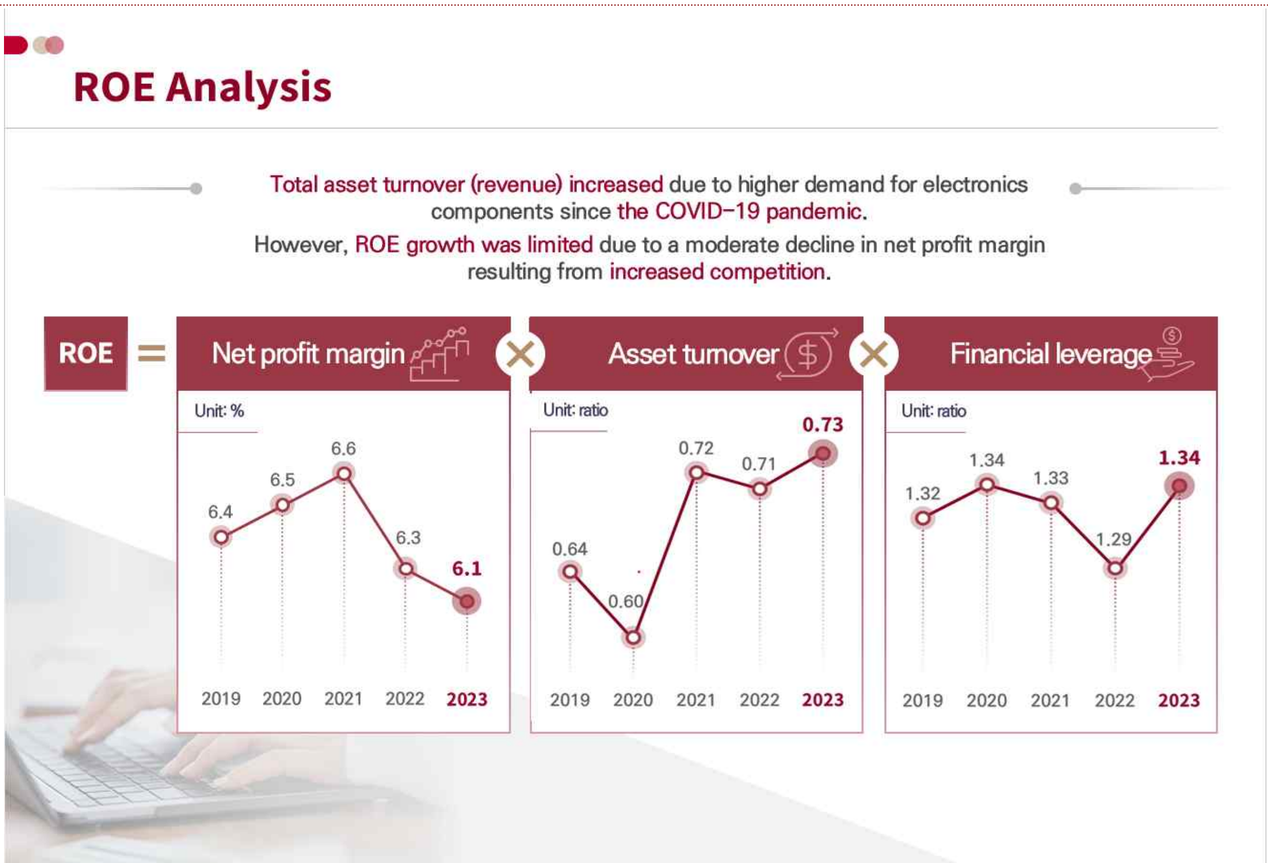
▹ **Net profit margin** is determined by the company's cost efficiency, competitive advantage in the market, price margin, etc., while **asset turnover** shows how effectively a company is capitalizing on its assets to generate sales. **Financial leverage** represents the amount of debt used for business operation.

· **ROIC decomposition:** **ROIC** is calculated by using net operating profit after tax (NOPAT) margin and invested capital turnover.

[Example] Financial Indicator Analysis 1



[Example] Financial Indicator Analysis 2



[Example] Financial Indicator Analysis 3

Return on Equity and Cost of Equity

ROE and ROIC were above COE and WACC, respectively, thereby creating shareholder value and corporate value.

ROE	12.3%
COE	11.2%
ROE-COE Spread	**1.1%**

ROIC	8.6%
WACC	8.1%
ROIC-WACC Spread	**0.5%**

Method to derive COE (using CAPM)

COE 11.2% = Risk-free rate of return 3.5% + β 1.1 × Market risk premium 7.0%

Risk-free rate of return: Using 5-year treasury rate

β:
① Weekly (52 weeks, 104 weeks) and monthly (36 months, 60 months)
Beta value derived from regression analysis on stock returns
② Beta value by industry
③ Peer beta values
cf. the maximum value used among 1 to 3

[Example] Financial Indicator Analysis 4

Shareholder Return Policy

Continued increase in dividend per share owing to stable profitability

Dividend per share trend

Implementation of share buyback and cancellation policy to improve recent capital efficiency

Share buyback and cancellation

Year	Buyback	Cancellation	Holding
2023	**KRW 40B**	KRW 30B	KRW 30B
2022	**KRW 20B**	KRW 15B	KRW 20B
2021	**KRW 15B**	-	KRW 15B

3-2. Analysis of Non-Financial Indicators

- **[Notes for Corporate Governance] Companies subject to the mandatory disclosure of the Corporate Governance Report** (KOSPI companies with total assets of KRW 500 billion or more as of April 2024) should **refrain from merely summarizing or repeating the content already disclosed in previous reports and select and describe significant elements in a focused manner**.

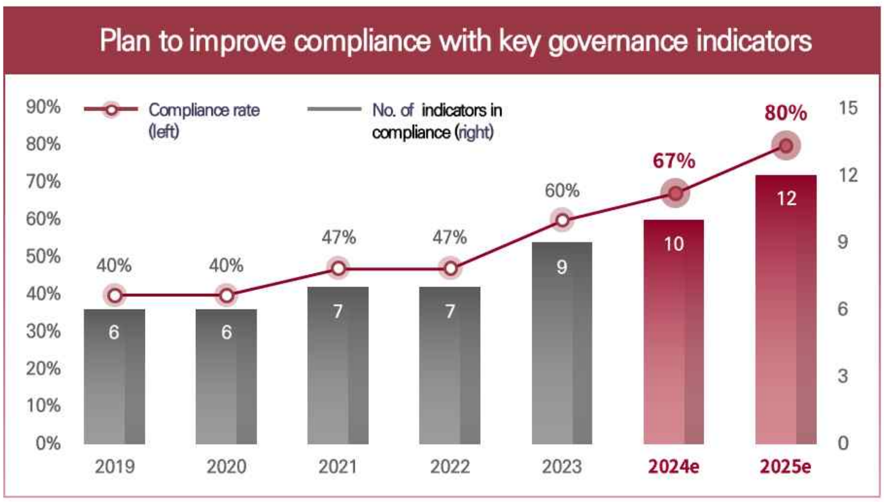
  · It is recommended that **companies not subject to the mandatory disclosure of the Corporate Governance Report** start by referring to the **Guidelines on the Corporate Governance Report and reviewing the 15 key indicators** to get a sense of how to present information in a forward-looking and focused manner.

- **[Description of Improvements] Improvement efforts and outcomes for corporate governance elements**, if any, can be stated in [Current Status Analysis]. It is recommended to go beyond the mere description of such outcomes and reflect them into [Goal Setting] and [Planning] to **ensure continued and additional improvement**.

[Example] Non-Financial Indicator Analysis 1

Compliance Rate for Key Governance Indicators

- Our plan is to increase the compliance rate for key governance indicators from 60% today to 80% by the end of 2025.
- By the end of 2023, the compliance rate was 60%, **with our company complying with** 9 of 15 such indicators.
- Our plan for the end of 2025 is to increase the compliance rate to 80% by implementing "e-voting," "adoption of cumulative voting," and "gender diversity of independent directors" that **are currently not in compliance.**



[Example] Non-Financial Indicator Analysis 2

Corporate Governance Improvement Project Status

Our company has been implementing a Corporate Governance Improvement Project by setting 4 fields on our own. The project accomplishment and future plans are as follows.

BOD

No dedicated team to support the work of the BOD at the start of the project in 2022

Accomplishment ▸▸ In January 2023, a separate board support team (4 members) was established, with one of the members dedicated to supporting the audit committee and having 5 or more years of audit-related experience.

Audit

Assessment that the audit committee's competency should be strengthened for independent/effective audits

Plan ▸▸ A systematic training program will be prepared from January 2025 after we make a contract with two accounting firms. (Key training contents for the year will be selected quarterly and at the beginning of each year.)

General Shareholders' Meeting

Initiation of various efforts to make general shareholders' meetings more accessible

Accomplishment ▸▸ Electronic voting implemented from shareholder meeting in 2023

Plan ▸▸ An online shareholder meeting will be held concurrently and relevant processes to provide opportunities for shareholders to voice their opinions will be developed and introduced.

Insider trading

Necessary efforts to enhance transparency due to the company's high proportion of insider trading

Accomplishment ▸▸ A committee within the BOD that is composed of only independent directors to check insider trading between affiliated companies will be established in 2025. (It will deliberate and vote on all transactions that meet the predetermined criteria.)

3 Goal Setting

- Determine the goals to enhance corporate value, based on the results of Current Status Analysis.

  · As the Plan **aims for sustainable corporate value enhancement**, **midium-to long-term goals (3-5 years) should be presented, rather than temporary and makeshift improvements.**. Short-term efforts to deliver a higher share price without any midium-to long-term business strategy is not consistent with the purpose of the Plan.

  · It is important to set sufficiently **ambitious yet feasible goals** to achieve corporate value enhancement. A balanced approach is recommended, on that promotes growth and improvement while maintaining realistic expectations.

1. Method

- **[Primary and Supporting Goals]** Based on the indicators of corporate value selected, goal setting can be categorized into **key goal indicators (KGIs) and key performance indicators (KPIs)**.

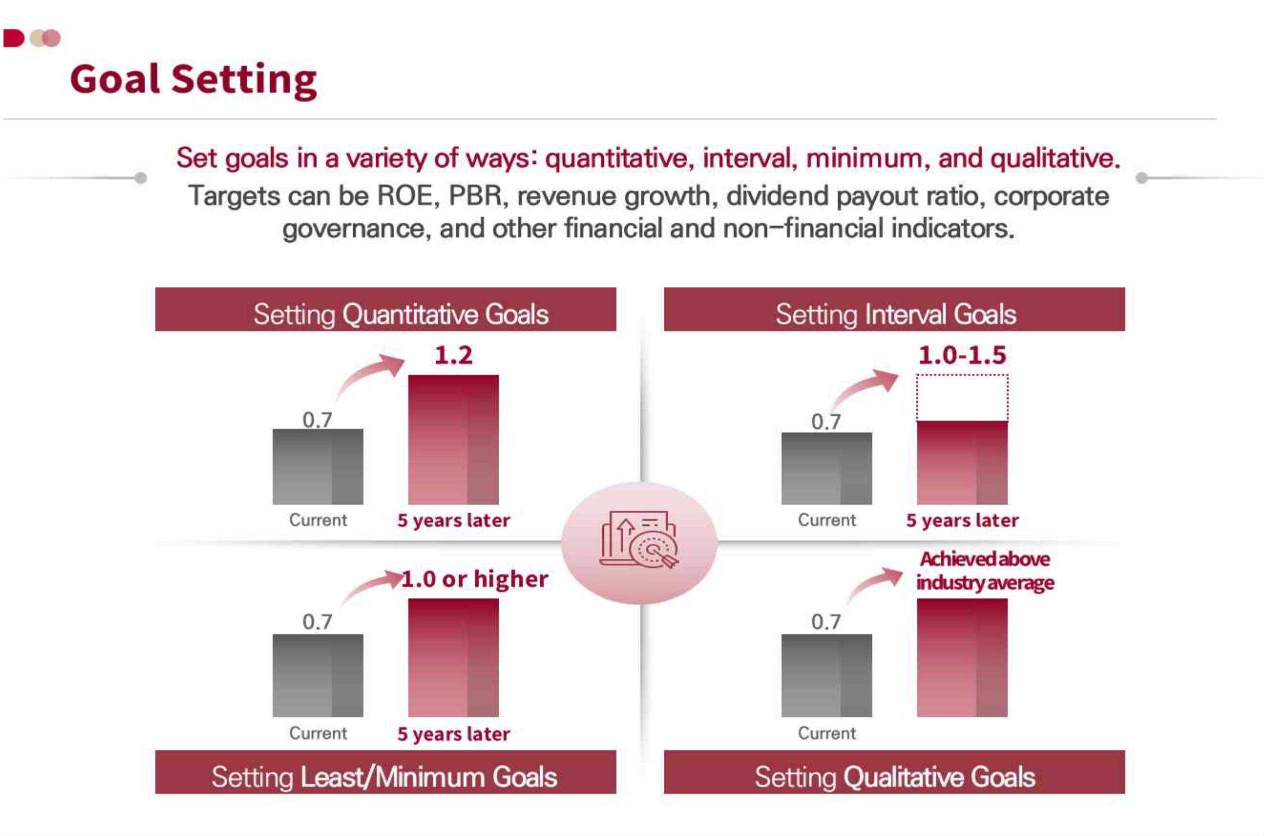
  · **The** catagorization suggested above can be applied to different key indicators. The decomposition of financial indicators mentioned previous can be utilized in goal setting. For example if PBR is set as the main indicator of corporate value, the composing factors of PER and ROE can also be used in goal setting. In such an instance the PBR will serve as the KGI, and PER and ROE as KPIs. Assessing the achievement of KPIs will naturally help provide information on progress of KGI achievement.

- **[Qualitative Goal Setting]** While establishing quantitative goals is ideal for clarity, companies may opt for qualitative goals when setting quantitiatve targets is challenging.

  · This applies especially to **non-financial indicators,** which are difficult to represent numerically. For example, if the goals are “to establish an effective BOD support system,” or “to enhance the independence and expertise of the external auditor appointment system,” a **qualitative description of the desired outcome** would be more effective.

  · Even for financial indicators, presenting specific target values may be challenging if the business environment changes rapidly or if there is significant price volatility in key input factors. In such cases, instead of a specific value, the goal can **be set as a range** (e.g., to maintain X% ROE throughout the period of 202X-202X) or in a **qualitative manner (e.g. achive PBR above industry average in X years).**

[Example] Goal Setting 1



[Example] Goal Setting 2

2. Considerations in Goal Setting

1) Alignment with Business Strategy

- **[Alignment]** In goal setting, alignment with business strategy needs to be considered in order to ensure that **the company's resources are properly deployed to those areas that contribut to corporate value enhancement.**

- **[Long-Term Vision]** The purpose of the Plan is to achieve sustainable corporate value enhancement. Therefore, it is recommended to **set goals from a midium-to long-term perspective, preferably for achievement within a period of 3-5 years**.

2) Competitive and Market Environment

- **[Benchmarking]** Set goals that are both ambitious and feasible by using the **industrial average or competitive benchmarking**. Goals that motivate companies to rise above the industrial average are often required to hone their competitive edge, but it is not recommended to set unfeasible goals.

- **[Market Trends]** Take into consideration **the current market trends and future direction that the market is expected to take**. The set goals should be designed to **flexibly accommodate** future market changes.

3) Time-Series Trends

- **[Recent Developments]** **The ongoing trends of goal indicators witnessed over the last several years** must be taken into consideration. If they show an upward trend, goals can be set higher. If they show a downward trend, flipping the situation itself can be a goal.

- **[Past Achievements]** **Any cases of improved goal indicators** from past time-series data can be analyzed to define **the relationship between a company's resource input and goal indicator improvement** and assess the **feasibility** of the set goals accordingly.

4) Company's Capabilities and Resources

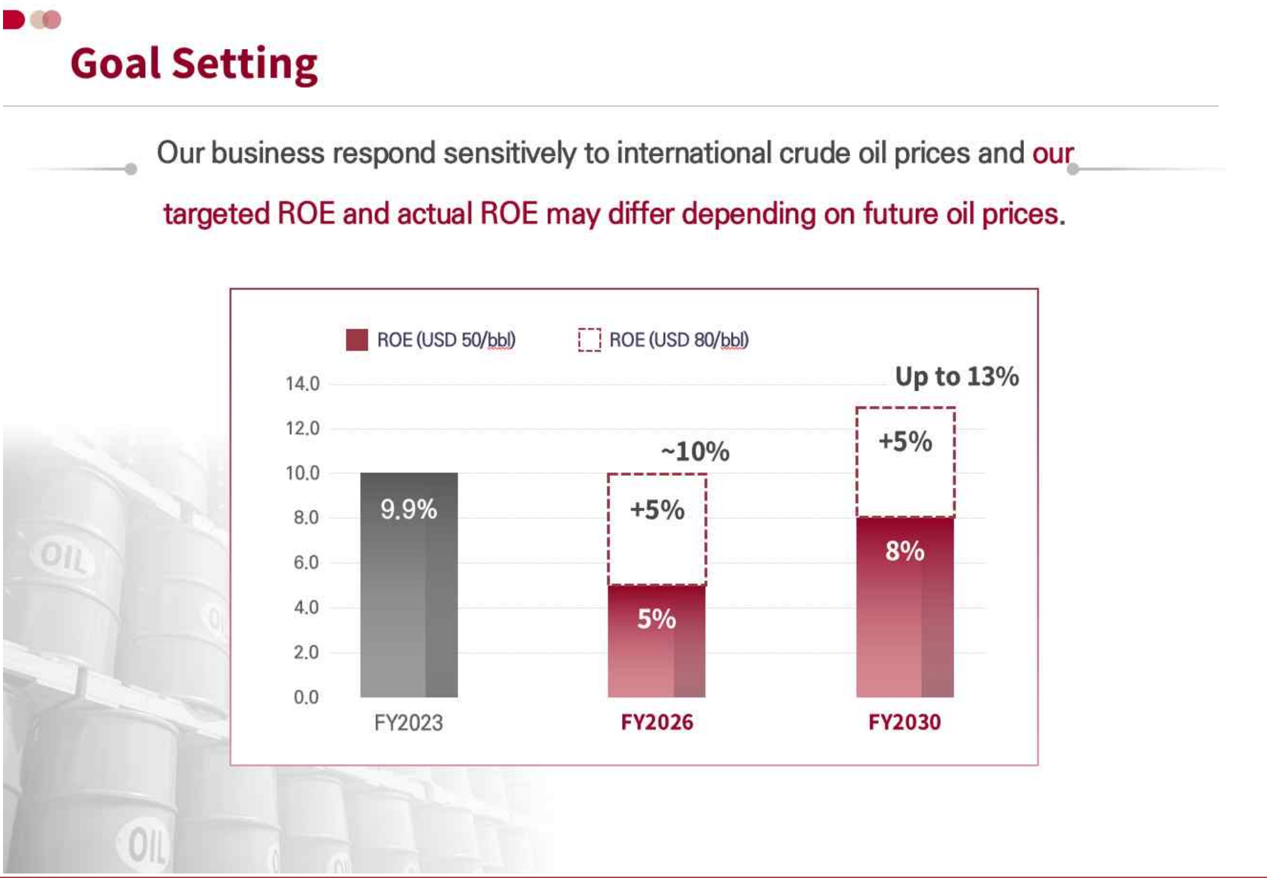
- Goal setting requires consideration of **the availability of the company's human/financial/technological resources** and **current/future capabilities**. However, it is also recommended to take an ambitious approach to a certain extent, rather than staying overly conservative, **as the company's resources and capabilities can be more strategically utilized** through the establishment of the Plan.

5) Risks

- **[Risk Assessment]** When setting goals, it is desirable for each company to **understand and reflect major risks and its risk appetite** that may affect its ability to achieve the goals.

- **[Flexibility and Adaptability]** A company's performance is **closely affected by changes in the business environment**. The possibility and major factors of such changes must be taken into consideration for goal setting. It is desirable for each company to perform goal setting based on accurately identified traits as well as sufficient flexibility and adaptability.

[Example] Goal Setting 3



4 Planning

- Present **specific implementation plans** to accomplish the set goals.

  · **Diverse strategic and financial plans** (business sector reinforcement, R&D expansion, human/material capital investment, business portfolio realignment, shareholder return such as retirement of treasury shares, disposal of inefficient assets, etc.) can be developed.

  · **The difference between two companies with similar midium-to long-term goals** is **the availability of measures to accomplish such goals optimized based on industry-specific traits, investment strategies, and market conditions**. Each company should come up with plans **optimized for its needs with a focus on feasibility**.

  · Some non-financial indicators employed in **[Goal Setting] and [Planning]**, such as corporate governance, **may overlap**. However, **corrective measures by year** for the improvement of the selected governance elements can be presented in [Planning].

1. Types of Plans

1-1. Business Plans for Investment

- **[Overview]** **Investment and sales strategies** can contribute to **expanding operating profit** for capital efficiency enhancement, **securing liquidity** to reinforce shareholder return, and **pursuing maximum growth in terms of sales and profit**. Present **business plans aimed at driving the efficient accomplishment of the set goals**.

  · As mentioned in [Current Status Analysis], **the major business sector categorization system can utilized** to propose sector-specific business plans and improve each plan's **materiality and feasibility**.

  · The provision of specific business plans can **help investors make informed decisions**, thereby attracting more investments. However, as this poses **the risk of exposing relevant strategies to competitors**, a **more balanced approach** is critically needed.

- **[Profitability Enhancement for Key Projects]** The profitability of key projects can be enhanced through strategies to **expand the customer base and market share, increase profit margin, etc**. Examples include **new product releases, the expansion of high-profit products or reduction of low-profit products, and the improvement of distribution and marketing approaches**.

- **[Advancement into New Markets] Diverse business growth strategies (pursuing M&As to pioneer new markets, making inroads into international markets, creating synergy, etc.)** can be crafted in line with changing market demand. Business portfolio realignment strategies (selling low-profit business sectors and non-operating assets, etc.) can also be presented.

- **[Technological Innovation] Advanced technologies can be introduced** to expand production capabilities and efficiency along with **investment in R&D** to pursue product innovation.

  · Examples include measures for production capacity expansion and efficiency enhancement, such as process optimization for production and logistics cost reduction, supply chain establishment, automation, and technological advancement. R&D investment plans can raise the expectations of shareholders and investors for product innovation.

[Example] Business planning

1-2. Finance-Centered Plan

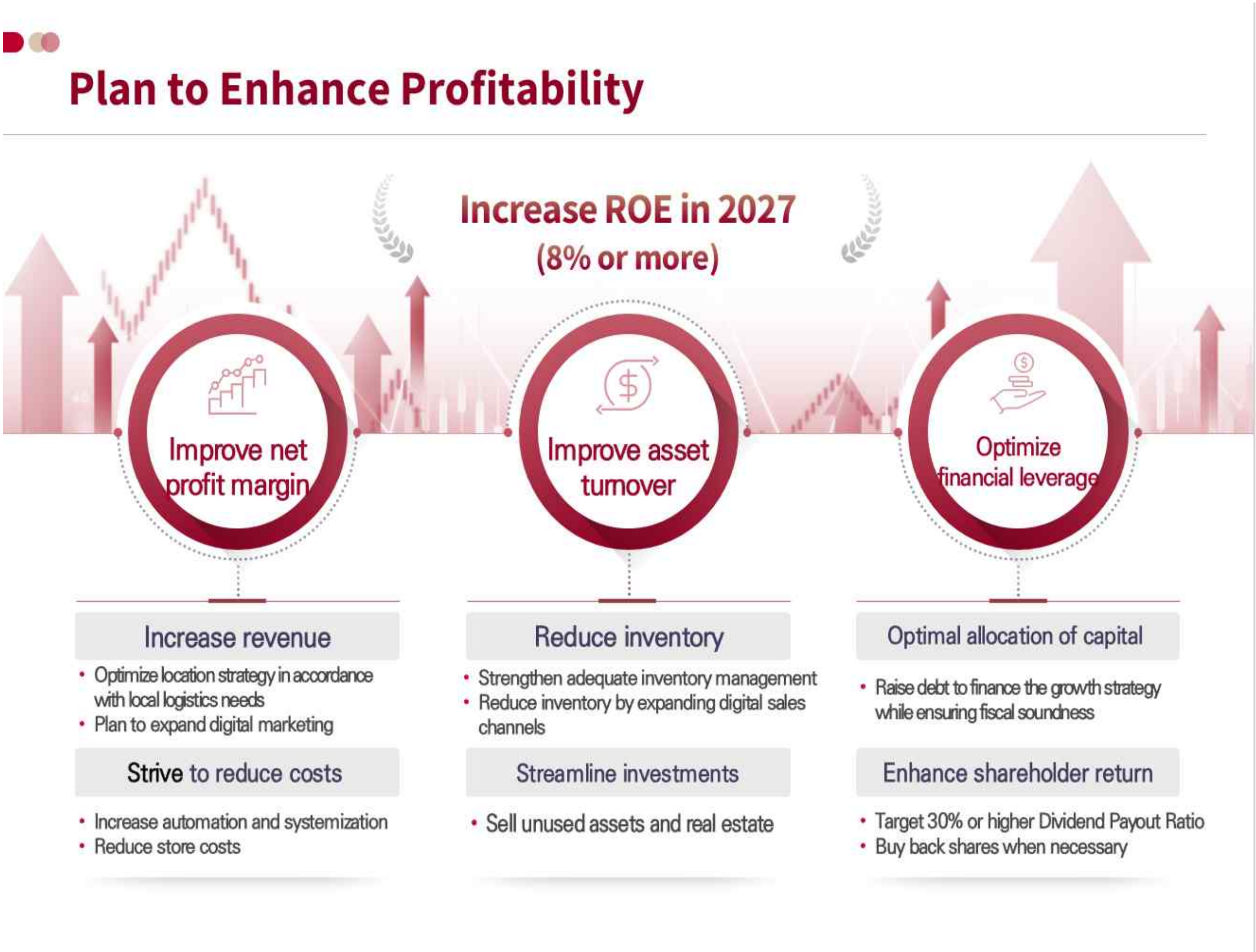
1) Calculation and Utilization of Financial Indicators

- **Each indicator can be calculated using multiple meaningful indicators** as shown in the **formulas** in [Current Status Analysis]. **The figure used as the numerator or denominator of each indicator** can also be **calculated as the sum of multiple figures**. Detailed plans about **how to make improvements for each item following calculation** can be proposed.

· For example, "sales" in operating profit can be presented by individual business sector or domestically and internationally. "Costs" can also be broken down into material expenses, depreciation costs, personnel expenses, etc.

· Asset turnover can be broken down into receivables turnover, inventory turnover, fixed asset turnover, and other items that affect the overall indicators.

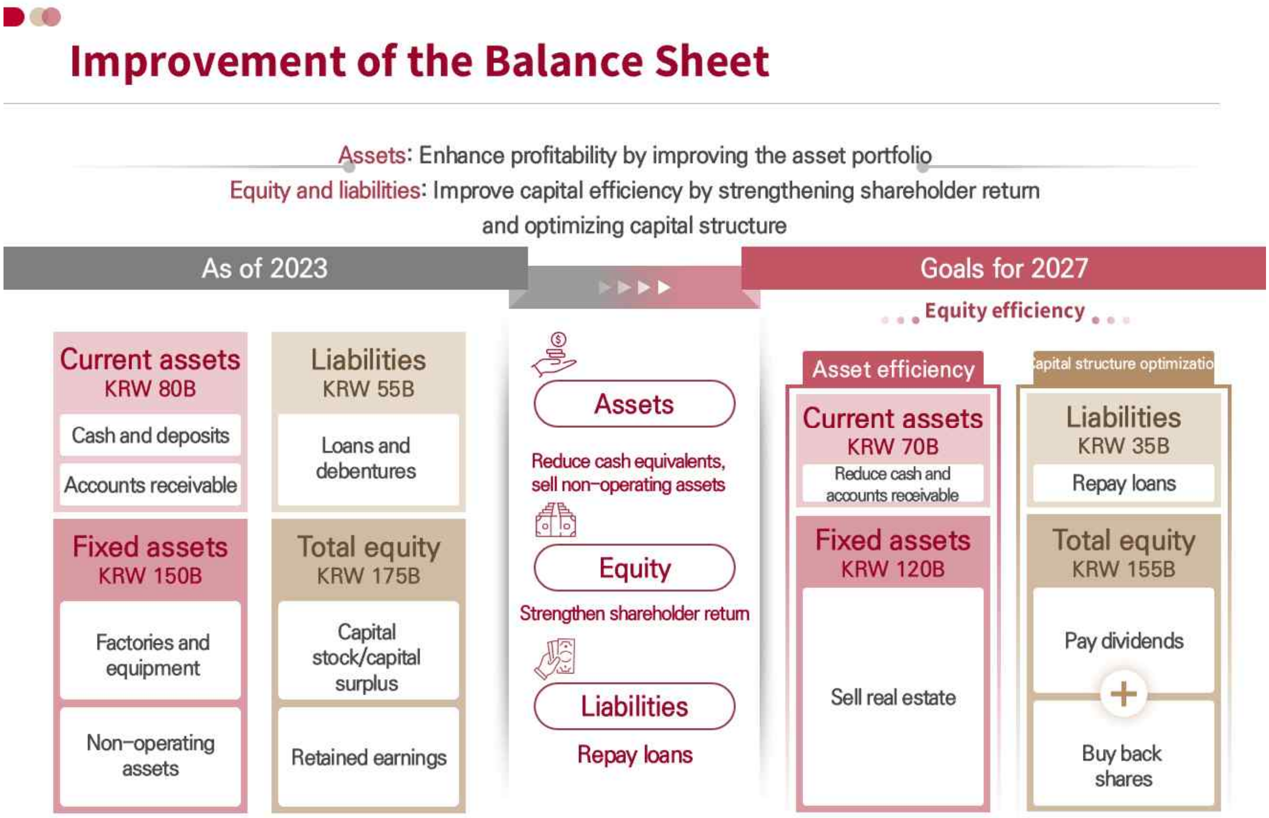
[Example] Finance-Centered Planning – Break down the indicators



2) Utilization of Balance Sheets

- **Specific plans for capital structure efficiency enhancement and optimization** can be **presented by using balance sheets**. Present the details of the current balance sheet and the desired balance sheet for comparison and specify **the measures to be taken** to adjust the components that comprise assets, liabilities, and equity.

[Example] Finance-Centered Planning – Improvement of Balance Sheet



3) Liquidity Allocation

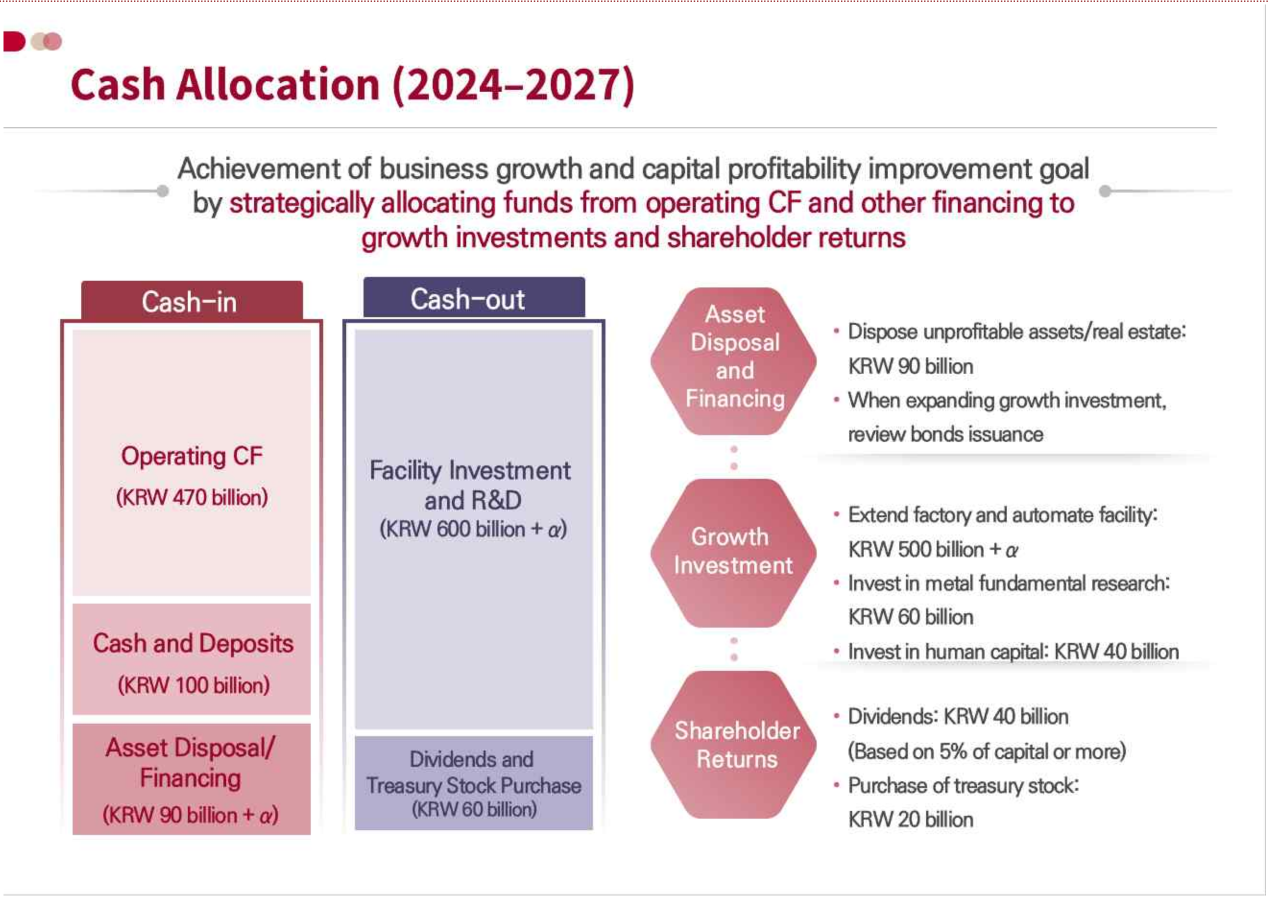
- If a balance sheet (BS) is a way to draw up an overall plan based on stocks, companies can **use a liquidity allocation plan** based on **flow** to set up an overall plan. It should state a **management plan** for **cash inflows** and **outflows** over a **target period (e.g., 3–5 years in the future)**. Describing liquidity allocation also has an effect of providing concrete **grounds for "funding" investments or shareholder returns.**

  · Cash-in can be categorized into: 1) **cash-in from operations**, 2) **cash-in from asset disposal,** and 3) cash-in from **financing.**

  · **Cash-out** can be categorized into: 1) expenditure for business such as **human and physical investments**, and 2) expenditure for **shareholder returns.**

  · Companies are not required to disclose figures for each year, even if all figures are estimated; they can **disclose aggregated figures for multiple years.** Furthermore, if presenting a single figure poses a burden, a **range can be presented** instead.

[Example] Finance-Centered Planning – Liquidity Allocation



2. Alignment with the compensation scheme of the executives and staff

- **[Overview]** Planning to meet corporate value goals can also involve establishing an **incentive-compatible compensation scheme for key stakeholders, such as employees**. To achieve corporate value goals, **active participation from employees**, who are the company's key resources, is **imperative**, in addition to business and financial strategies. For that purpose, companies need to establish a **compensation scheme aligned with corporate value goals**.

  · To ensure effectiveness of the implementation plan for enhancing corporate value, it is required that employees **clearly understand and share the company's core values and long-term goals**. When all employees share the company's values and goals, **individual and team efforts align with the direction of the entire organization,** facilitating **efficient use of resources and consistency in achieving the goals**.

- **[Corporate Value Enhancement Compensation Scheme]** For achieving corporate value enhancement goals, **designing an incentive-compatible employee compensation scheme** is an important strategic task. A compensation scheme is required to be designed to **maximize performance by harmonizing employee behavior and corporate goals**. For example, as corporate value enhancement primarily focuses on long-term goals, **the employee compensation scheme also needs to emphasize mid- to long-term performance**. In addition, when companies set quantitative goals (KGI) for corporate value enhancement and the annual actions (KPI) necessary to attain them, **the compensation scheme can also be designed to align with KGI and KPI**.

5 Implementation Evaluation

- **[Overview]** As companies are recommended to make a disclosure of the "Corporate Value-up Plan" on a regular basis, such as annually, they shall state the **efforts undertaken between disclosures** in accordance with the plan.

  · If **annual goals and plan** were presented in the previous disclosure, the **level of achievement** of the goal for the corresponding year can be stated accordingly.

- **[Differentiation between Results and Input]** If companies **explain the primary "input"** of efforts made for implementation separately from the implementation results, it will help shareholders and market participants in **understanding the companies' efforts and accepting the results**, even if the annual goals and plans were not achieved.

- **[Cause Analysis]** If the achievement rate exceeds the goal or has not been implemented properly, it is necessary to analyze the causes and present them. Companies can state the **areas that differed from expectations at the time of the disclosure of the existing "Corporate Value-up Plan"**, and what **internal and external circumstances prevented the plan** from being properly implemented.

- **[Incorporation to a Future Plan]** Insights and lessons learned from implementation evaluation can serve as **opportunities for continuous improvement**. It is important for companies to improve areas where problems were identified based on the performance evaluation and **incorporate them into a new "Corporate Value-up Plan"**.

[Example] Implementation Evaluation

2024 Performance Evaluation and 2025 Plan

- Sales and operating income fell short of plan due to reduced domestic demand, while shareholder returns and capital equity ratio were achieved.
- However, performance in 2024 improved compared to 2023 of operating income of KRW 9.5 billion and an ROE of 6.5%.
  → Despite a contracted domestic market, launch of new premium product lineup boosted sales growth.
- On track to achieve 2025 target of ROE of over 8% and PBR of over 1x.

Unit: KRW 100 million

Category	2024 Results (A)	2024 Plan (B)	Difference	Achievement rate (A)/(B)	2025 Plan
Sales	3,856	4,300	−444	89.7%	4,500
Operating Income	103	125	−12	90.4%	145
Operating Profit Margin	2.9%	2.9%	0.02%	–	3.2%
ROE	7.2%	8% +	–	Below	8% +
Shareholder Return Ratio	0.35	0.35 +	–	Achieved	0.40 +
PBR	0.76x	1x +	–	Below	1x +
Equity Ratio	67%	66% +	–	Achieved	70% +

6 Communication

- **[Overview]** When it comes to communication, **Current Status Analysis – goal & plan setting – implementation evaluation are also required**. However, since communication **differs in its characteristics from the financial and non-financial elements stated above**, companies are recommended to **"consolidate"** communication-related matters in the **"Communication" table**, rather than **stating them separately** in different tables.

- **[Significance]** The **ultimate purpose** of the "Corporate Value-up Plan" is to share companies' value enhancement strategies with shareholders and market participants, so **shareholders and market participants can assess the corporate value properly and utilize it in making investment decisions**. Therefore, communication with shareholders and market participants is a crucial aspect of setting up a "Corporate Value-up Plan".

  · Furthermore, when the market valuation is lower than the intrinsic value, companies can also find significance from communication as it serves as an **effective means of resolving the "value gap"**.

1. How to Write

- **[Status-Plan-Evaluation]** As stated in the overview, communication is also effective when it is divided into: **1) Current Status Analysis 2) Goal & Plan Setting, and 3) Implementation Evaluation**.

  · **Current Status Analysis:** Rather than simply providing quantitative figures, such as "IR event XX times", it is necessary to provide **detailed information**, such as the **companies' internal communication processes, communication contents, and representatives**.

[Example] Communication – Current Status Analysis

Communication – Status Diagnosis

Subject	Representative	No. of Meetings, No. of Companies
❶❷ General Shareholders' Meeting	CEO	2 times
❶❷ CEO Q&A	CEO	2 times
❷ Business Presentation	CEO, CFO	2 times
❷ Financial Results Briefing	Exec. Officers of Directors	2 times
❷ Online Small Meeting	CFO, Biz Division Head	6 times
❷ Overseas Institutional Investor Meeting	CFO, IR Executive	5 companies
❸ Individual Investor Briefing	IR Executive	2 times
❹ Institutional Investor/Analyst Opinion Exchange	IR Executive, Biz Div. Head	7 companies

· **Goal & Plan Setting and Implementation Evaluation:** Just like with Current Status Analysis, it is necessary to state not only **quantitative goals** but also **qualitative contents for effective communication**.

- **[Communication utilizing "Corporate Value-up Plan"]** The **effectiveness of communication** with shareholders and market participants is expected to be **maximized** when **utilizing the "Corporate Value-up Plan"**; therefore it is necessary to **specify** how the plan will be utilized (or is being utilized) for communication.

2. Key Considerations

- **[Participation of Top Management and Board of Directors]** Active participation of the management and board is also important for communication. **Involving key executives, such as the CEO and CFO, in the communication** can help enhance credibility by highlighting the importance of the message the company wants to deliver.

- **[Differentiation by Communication Target]** There are various stakeholders interested in corporate values. **Differentiating communication methods** depending on the characteristics of the stakeholders can be effective.

  · For example, when communicating with **individual investors**, it is necessary to **explain key content in an easy-to-understand manner**, while when targeting **institutional investors**, incorporating more **complex financial and non-financial analysis** can be effective.

- **[Various Communication Channels]** It is necessary to consider the most effective communication channel. There are many ways to communicate, including **press releases, investor presentations, company website, social network service (SNS), investor's day, conference calls, webinars, and one-on-one meetings**.

- **[Feedback Incorporation]** Effective communication requires a **two-way exchange**, rather than a one-way delivery of information by companies. **Companies' communication with shareholders and market participants** will be more effective **when feedback processes are established**.

  · **Formal processes** that incorporate the opinions of shareholders and market participants in the management can be established. In addition, by **disclosing feedback performance through the "Corporate Value-up Plan"**, the trust of shareholders and market participants in the companies can be enhanced.

[Example] Communication – Feedback Incorporation 1

Communication – Performance and Future Plan

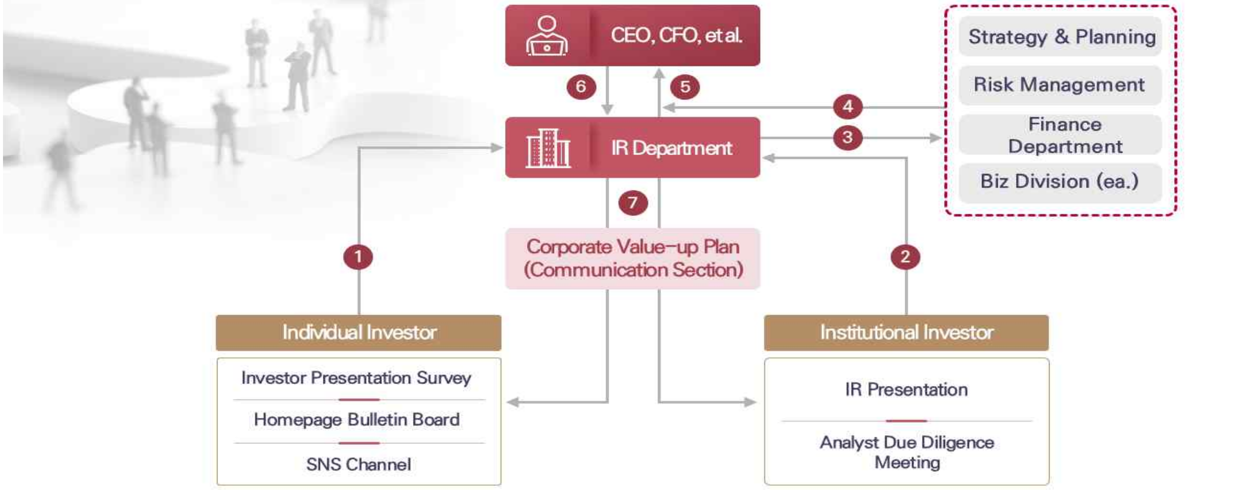
The company is making efforts to incorporate opinions that contribute to enhancing corporate value by continuously communicating with stakeholders.

	Performance until 2024			▸▸▸▸ Implementation Plan for 2025		
Key Opinion	ESG management specification	Cost reduction plan	Currency hedging strategy	High growth market expansion	Augmented individual investor communication	Shortened English disclosure timing
Company Action	Establish carbon reduction goals	Reduce non-core, inefficient assets	Use future contracts & options to hedge currency risk	Review plans for international market launch	Expand small meetings for individual investors from 4 to 8 annually	Shorten English disclosure from +7 to +5 days after Korean disclosure
Execution Timing	2020–	2021–	2022–	2025–		

[Example] Communication – Feedback Incorporation 2

Communication – Feedback System

The company, led by the IR department, has established a process to gather stakeholders' opinions and convey them to key business departments and management, disclosing key decisions to investors.



- **[English Disclosure]** It is necessary for companies to expand their efforts to **provide the "Corporate Value-up Plan" and various other disclosures in an English version**, in addition to a Korean version. Currently, in the domestic stock market, **the proportion of foreign investors is approximately 30%** (as of the end of March 2024). Therefore, to ensure equal investor rights, it is necessary to increase English disclosures and establish a **communication plan targeting foreign investors**.

Attachment

"Corporate Value-up Plan" Reference Format

※ This plan contains forecast information based on the company's management status and business prospects, including future financial performance and business prospects that have not been finalized. Please note that, depending on the domestic and international business environment, market conditions, and the company's strategic decisions, actual results may differ from the forecasts, and the contents of the plan may change in the future.

1 Company Overview

1) Company Name:

2) Listed Market:

3) Company Overview

CEO		Largest Shareholder (Share Ratio)	
Business Sector		Major product and service	
Major Corporate History			

4) Summary of Recent Financial Statements

(Based on consolidated financial statements, unit: KRW 1 million)

	FY20XX	FY20XX	FY20XX
Revenue			
Operating profit			
Net profit			
Total assets			
Total liabilities			
Total equity			

2 Current Status Analysis

1. Business Status Analysis

1) Key Business Sector A

A) Business contents and performance

B) Market environment and competitiveness evaluation

C) Risk factors

2) Key Business Sector B

3) Key Business Sector C

2. Selection of Indicators

1) Financial Indicators

- State the designation and reason of designation briefly

2) Non-Financial Indicators

3. Analysis of Indicators

1) Financial Indicators

A) Timeline progress

	FY20XX	FY20XX	FY20XX	FY20XX	FY20XX
Indicator 1					
Indicator 2					
Indicator 3					

- State analysis contents

B) Comparison with the industry average and competitors

- State analysis contents

2) Non-Financial Indicators

3 Goal Setting

1) Financial Indicators

	FY20XX		FY20XX [Mid-term]		FY20XX [Long-term]
Indicator 1					
Indicator 2		→		→	
Indicator 3					

- State the significance and grounds of the goal

2) Non-Financial Indicators

- State improvement goal

4 Planning

[Example]

1. Business/Investment Strategies

1) Key Business Sector A

- State sales and investment strategies in the aspects of profitability and growth

2) Key Business Sector B

3) Key Business Sector C

4) New Business Launch Review

2. Financial Statement Efficiency

3. Liquidity Allocation

1) Cash-in during X Years in the Future

2) Cash-out during X years in the Future

4. Alignment with the compensation scheme of the executives and staff

5 Implementation Evaluation

1. Major Implementation in the Last 1 Year

2. Goals by Years or Implementation Plan Achievement Rate

6 Communication

1. Communication Status with Shareholders and Market

2. Improvement Plan

3. Use of Communication Results

7 Other Statements

1. Board Participation Status in “Corporate Value-up Plan”

2. Additional Disclosures, Etc.