

Korea

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1 Setting the Scene – Sources and Overview

1.1 What are the main corporate entities to be discussed?

The discussion below focuses on stock companies (“*ju-sik-hoe-sa*” in Korean), especially those listed on the Korea Exchange.

1.2 What are the main legislative, regulatory and other sources regulating corporate governance practices?

The primary source of law governing corporate governance in Korea is the Korean Commercial Code (the “KCC”). The Financial Investment and Capital Markets Act (the “Capital Markets Act”) supplements the KCC by imposing additional regulations on listed companies, including requirements related to public disclosure, insider trading, and the composition of the board of directors. In addition, listed companies must comply with the Rules on Issuance of Securities and Disclosure, as well as the Korea Exchange’s Market Listing Rules and Disclosure Rules.

1.3 What are the current topical issues, developments, trends and challenges in corporate governance?

In Korea, corporate governance has traditionally been characterised by the dominance of controlling shareholders in corporate management. Consequently, the conventional agency problem between management and shareholders – central to governance discourse in many jurisdictions – is relatively muted. Instead, the primary concern lies in conflicts of interest between controlling and minority shareholders.

Although the KCC provides a robust legal framework for corporate governance and shareholder rights, shareholder engagement has historically been limited. Rather, corporate decisions are often driven by controlling shareholders, with management acting under their influence.

In recent years, however, shareholder activism has gained momentum. The adoption of the Stewardship Code and the growing influence of individual investors have led to increased shareholder participation. Institutional investors, most notably the National Pension Service, have become more assertive in exercising voting rights and submitting proposals. At the 2025 annual general meetings, there was a significant

rise in minority shareholder proposals, particularly regarding the appointment of directors and auditors. The development of mobile platforms aimed at facilitating minority shareholder activism has further enhanced collective action and participation.

Meanwhile, despite internal divisions within the government and strong opposition from the business community, the National Assembly passed an amendment to the KCC on March 13, 2025 (the “2025 Amendment”). Although the Acting President vetoed the amendment, the Assembly has indicated a firm intent to enact it through a re-vote or veto override.

The 2025 Amendment expands directors’ fiduciary duties under Article 382-3 to explicitly include shareholders, in addition to the company. It requires directors to protect and equitably consider the interests of all shareholders. This reform seeks to curb long-standing practices that favour the interests of controlling or affiliated parties – particularly in chaebol structures – over those of general shareholders, and to address the persistent undervaluation of Korean firms, often referred to as the “Korea discount”. If enacted, the amendment would provide shareholders with stronger legal grounds to challenge directors’ conduct and pursue derivative claims.

Additionally, the amendment introduces a legal framework for electronic shareholders’ meetings in listed companies, enabling remote, real-time participation and voting. Unless otherwise provided in the company’s articles of incorporation, such meetings may be authorised by a board resolution. For companies exceeding specified asset thresholds, electronic meetings will be mandatory.

1.4 What are the current perspectives in this jurisdiction regarding the risks of short termism and the importance of promoting sustainable value creation over the long term?

Amid growing recognition that sustainable growth and long-term shareholder value can be achieved through improved corporate governance, the importance of sound governance practices is increasingly emphasised. There is a growing need to establish a robust corporate governance framework to ensure fair decision-making in situations where the interests of controlling and minority shareholders may conflict. In response, a movement to actively exercise shareholder rights is gaining momentum.

Interest in corporate Environmental, Social, and Governance (“ESG”) management is also on the rise. Major institutional investors and asset management firms are promoting ESG considerations as a key criterion in the exercise of shareholder rights.

2 Shareholders

2.1 What rights and powers do shareholders have in the strategic direction, operation or management of the corporate entity/entities in which they are invested?

Shareholders are entitled to exercise their voting rights on strategic decisions and significant management matters at the general meeting of shareholders. The key agenda items typically subject to shareholder approval at such meetings include the following:

- (i) matters relating to corporate structure or finance: amendments to the articles of incorporation; particulars of a share issue (where authorised by the articles); issuance of convertible bonds and bonds with warrants (if authorised by the articles); grant of stock options; approval of financial statements; declaration of dividends; and capital reduction;
- (ii) strategic decisions: mergers; corporate divisions; transfers of all or a substantial part of the company's business; and dissolution; and
- (iii) operational decisions: the appointment of directors, auditors, and independent directors (with respect to representative directors, only where the articles of incorporation confer such appointment rights on shareholders); the determination of executive remuneration (where the articles do not specify the amount – although, in practice, the general meeting sets an overall limit, and the board of directors determines the specific amount); and resolutions to release directors from liability to the company.

In addition to the aforementioned voting rights, shareholders may also exercise a range of other rights, provided they meet the applicable shareholding ratio thresholds. These include:

- (i) rights relating to general meetings of shareholders: the rights to convene a general meeting of shareholder, appoint an inspector; submit shareholder proposals; and request cumulative voting;
- (ii) rights of access to information: the right to request access to books and records; as well as the right to inspect business affairs and assets;
- (iii) rights concerning corporate executives: the right to request the removal of directors, auditors, and liquidators; seek injunctions against unlawful acts by executives; file a derivative suit on behalf of the company; and bring a multiple derivative action on behalf of a subsidiary; and
- (iv) rights relating to the preservation of invested capital: the right to petition for judicial dissolution; and appraisal rights for shareholders dissenting from a merger.

Based on the above rights, shareholders may exercise the following powers:

- (i) **Ex ante powers:** prohibiting voting rights, new share issuance, and general meetings; permitting extraordinary meetings; suspending resolutions; banning interlocking directorates and executive misconduct; and requesting access to accounting books and the shareholder register.
- (ii) **Ex post powers:** cancelling or confirming the invalidity of resolutions; confirming shareholder rights; updating share records; issuing certificates; purchasing dissenting shareholders' shares; filing damages against executives; maintaining and enjoining illegal acts; and challenging validity of new share or bond issuances, mergers, and board resolutions.

2.2 What responsibilities, if any, do shareholders have with regard to the corporate governance of the corporate entity/entities in which they are invested?

In principle, shareholder liability is limited to the invested capital. However, it may be extended under the corporate veil theory.

Shareholders meeting certain thresholds may face additional liability. For instance, a 95% shareholder must buy out minority shareholders on request. Anyone influencing company decisions and directing management may be treated as a *de facto* director, liable for damages if duties are breached.

Additional restrictions apply to major and largest shareholders and their specially related persons. They are barred from receiving credit from the company. In listed companies with total assets over KRW 2 trillion, board approval is required for interested-party transactions exceeding 1% of assets or sales. The largest shareholder and their related persons cannot serve as outside directors.

2.3 What kinds of shareholder meetings are commonly held and what rights do shareholders have with regard to such meetings?

General meetings of shareholders consist of regular annual meetings and extraordinary meetings, which may be convened by the board or exercise of the relevant shareholder right. Regular meetings are usually held in late March, although the meeting dates are increasingly being dispersed throughout in accordance with the Financial Services Commission's recommendation.

Subject to certain shareholding threshold requirements, shareholders have the rights to convene a general meeting, appoint an inspector, propose meeting agendas, and request cumulative voting.

2.4 Do shareholders owe any duties to the corporate entity/entities or to other shareholders in the corporate entity/entities and can shareholders be liable for acts or omissions of the corporate entity/entities? Are there any stewardship principles or laws regulating the conduct of shareholders with respect to the corporate entities in which they are invested?

As noted in question 2.2, shareholders generally bear no liability beyond their capital. However, if a shareholder instructs management, they may be held liable as *de facto* directors.

Institutional investors must follow laws or voluntary codes, such as the Asset Management Guidelines and the Stewardship Code. Investors managing third-party assets owe fiduciary duties under the Capital Markets Act, and state fund managers must vote per asset management rules.

Following the court's emphasis on the stewardship duties of institutional investors in a recent merger case, the National Pension Service adopted the Stewardship Code in 2019. As of 2025, the Code has been adopted by 242 institutions, including pension funds and insurance companies.

2.5 Can shareholders seek enforcement action against the corporate entity/entities and/or members of the management body?

Shareholders have the power to compel or restrict actions by the company or its management – either preliminarily or *ex post facto* – as explained in question 2.1 above. These powers include:

- (i) Prohibiting the issuance of new shares; granting permission for extraordinary general meetings; prohibiting the holding of general meetings; seeking provisional injunctions or suspending the effect of general meeting resolutions; and cancelling or invalidating resolutions adopted at general meetings.
- (ii) Filing claims for injunctions against unlawful acts by directors; pursuing claims for damages against directors; and requesting the removal of directors, auditors, or liquidators.

In particular, a shareholder may request that the company or its subsidiaries file a lawsuit for damages against a director. If the company fails to file the lawsuit within 30 days of receiving the request, or if there is a risk of irreparable harm to the company, the shareholder may initiate the lawsuit directly, even before the 30-day period lapses.

2.6 Are there any limitations on, or disclosures required, in relation to the interests in securities held by shareholders in the corporate entity/entities?

The shareholder register is kept at the company's head office and shareholders and creditors of the company can access it during business hours.

The largest shareholder of a listed company and its specially related persons must hold their shares for six months from the date of the initial listing. In addition, the controlling shareholders and their specially related persons (including officers) must disclose their share ownership status and report any changes in their shareholdings.

In addition, shareholders holding 5% or more of the total shares must disclose the type of shares held and the purpose of the ownership. If such shareholder participates in a resolution for the purpose of participating in the management without disclosing such purpose, the shareholder may be liable for a breach of disclosure obligations.

If shareholders hold different classes of shares, important details about these shares must be recorded in the corporate register and disclosed as public information.

The revised Capital Markets Act (effective from July 2024) introduced pre-disclosure rules for insider transactions. Executives and major shareholders of listed firms must disclose the purpose, amount, and timing of planned trades at least 30 days in advance if involving over 1% of shares or KRW 500 million (cumulatively within six months). This aims to protect investors, given the frequent occurrence of stock price drops following large-scale insider sales, and the potential misuse of undisclosed information for personal gain. Pension funds and equivalent foreign investors are exempt from this requirement.

2.7 Are there any disclosures required with respect to the intentions, plans or proposals of shareholders with respect to the corporate entity/entities in which they are invested?

See question 2.6.

2.8 What is the role of shareholder activism in this jurisdiction and is shareholder activism regulated?

In Korea, although shareholders possess various legal powers as described above, the actual practices at shareholder meetings – such as making proposals and passing resolutions – and the exercise of other shareholder rights have historically been influenced by the will of a few controlling shareholders.

Since the early 2000s, civic groups and activist funds have sought to strengthen shareholder activism in Korea and challenge corporate decisions made by controlling shareholders that disadvantage minority shareholders, such as executive appointments, dividend increases, and property divisions or unfair mergers that only favour the controlling shareholder. However, such efforts have had only a limited impact in altering entrenched practices.

However, the introduction and growing adoption of the Stewardship Code in 2019, alongside a surge in public interest in stock investment (the number of individual stock investment accounts more than doubled between 2020 and 2023), have significantly accelerated the shareholder activism movement. This is evidenced by a more than sevenfold increase in the number of companies subject to shareholder action during the same period.

Currently, there is no regulation governing shareholder activism practices in Korea. However, activist shareholders must comply with the disclosure obligations explained previously in question 2.6 above. Additionally, shareholders who hold 10% or more of a company's total shares should be aware of the obligation to return short-term trading profits earned from the purchase and sale of certain securities within a six-month period.

3 Management Body and Management

3.1 Who manages the corporate entity/entities and how?

The management body of a listed company typically comprises the board of directors and the representative director. Key decisions concerning the company's management fall under the authority of the board of directors. The representative director, often serving as the CEO, is delegated the authority by the board of directors to oversee and manage the company's day-to-day activities.

The following matters require a board resolution under the KCC: appointing the representative director; convening a general meeting of shareholders; issuing shares and bonds; paying interim dividends; transferring major assets of the company; borrowing substantial amounts of money; and approving directors' involvement in competitive activities, appropriation of corporate opportunities, or self-dealing transactions.

Listed companies are required to appoint independent directors – non-executive directors who are independent from both management and controlling shareholders. These independent directors are expected to exercise professional and objective judgment in fulfilling their duties. With limited exceptions, at least one-quarter of the board must be composed of independent directors. Furthermore, companies with total assets of KRW 2 trillion or more are required to ensure that a majority of their board consists of independent directors, with a minimum of three meeting this criterion.

Korean stock companies must establish an internal supervisory body – either a statutory auditor or an audit committee – to oversee the company's business operations and accounting affairs. Auditors are authorised to request reports from directors and inspect the company's business affairs and financial condition at any time. If a listed company's total assets at the end of the most recent fiscal year equal or exceed KRW 2 trillion, it must establish an audit committee, with at least two-thirds of its members being independent directors.

3.2 How are members of the management body appointed and removed?

The directors of listed companies are elected and removed by the shareholders. The representative director is elected from among the by resolution of the board. However, if permitted by the company's articles of incorporation, the representative director may instead be elected at a general meeting of shareholders.

An amendment to the KCC enacted in December 2020 introduced a separate election system for audit committee members. For listed companies, when electing an audit committee member at a general meeting of shareholders, each shareholder may exercise voting rights for no more than 3% of the total outstanding voting shares, regardless of their actual holdings. This "3% Rule" aims to limit the influence of large shareholders on the appointment of a statutory auditor.

The separate election system distinguishes between the appointment of directors who will serve as audit committee members and those who will not, treating them as separate agenda items at the director appointment stage. The 3% voting restriction is applied from this stage to candidates for audit committee membership. This structure enables minority shareholders to exercise their shareholder proposal rights by nominating preferred candidates for audit committee positions and seeking their election.

3.3 What are the main legislative, regulatory and other sources impacting on compensation and remuneration of members of the management body?

The compensation and remuneration for directors must be determined at a general meeting of shareholders or prescribed in the articles of incorporation. The KCC grants shareholders substantial authority in setting director compensation. In practice, however, most companies do not determine individual compensation amounts at general meetings. Instead, shareholders typically approve an overall ceiling for aggregate director remuneration, while the board of directors determines individual director salaries within the approved limit.

Meanwhile, in 2024, the National Pension Service demonstrated a more active approach to exercising its shareholder rights by opposing the approval of executive compensation ceilings at ordinary general meetings of shareholders.

Under the Capital Markets Act, a listed corporation must disclose, in its business report, the remuneration of each registered director – along with the specific criteria and method of its calculation – if the amount exceeds KRW 500 million. The company must also disclose the average remuneration per individual for all unregistered executives.

3.4 What are the limitations on, and what disclosure is required in relation to, interests in securities held by members of the management body in the corporate entity/entities?

According to the KCC, shareholders or directors who have a conflict of interest in relation to matters to be resolved by the board of directors or at shareholders' meetings are prohibited from exercising their voting rights. For example, if a director who is also a shareholder is to be granted indemnification through a resolution at a shareholders' meeting, that director is disqualified from voting in their capacity as a shareholder. Similarly, in shareholder resolutions concerning directors'

compensation, shareholder-directors are deemed to have a conflict of interest and are likewise ineligible to vote.

The Capital Markets Act prohibits unfair trading practices, including insider trading, which involves the use of material non-public information in connection with the acquisition or disposal of a company's shares. If an executive, employee, or shareholder holding more than 10% of a listed company's total outstanding shares violates this provision, they may be held liable for damages and are required to return any profits gained from such transactions.

3.5 What is the process for meetings of members of the management body?

Convocation of board of directors' meetings: Each director may convene a board meeting, unless a specific director has been designated to do so by a resolution of the board. A director who does not have convocation authority may request the designated director to call a meeting.

Methods of resolution by the board of directors: A majority of directors must be present, and resolutions require the affirmative vote of a majority of those present. The articles of incorporation may stipulate a higher threshold. Auditors have the right to attend board meetings and express their opinions, but they do not have voting rights. In the event of a tie, the resolution is deemed rejected, and the representative director does not have a casting vote.

3.6 What are the principal general legal duties and liabilities of members of the management body?

A director of a company owes fiduciary duties to the company – and, if the 2025 Amendment is promulgated and takes effect as planned (see question 1.3) – and to the shareholders, typically categorised as the duty of care and the duty of loyalty. The duty of care requires directors to exercise the level of care that a reasonably prudent person would exercise under similar circumstances and applies to all members of the board. The duty of loyalty obligates directors to act in the best interests of the company and to avoid conflicts of interest. Under the KCC, directors who violate laws or regulations, or who neglect their duties, may be held jointly and severally liable to the company for any resulting losses.

The KCC categorises and regulates transactions that present conflicts of interest between management and the company. On one hand, listed companies are prohibited from providing credit – including loans, property leases with economic value, and other monetary benefits – to related parties such as major shareholders and directors. On the other hand, directors must obtain prior board approval before engaging in transactions involving appropriation of corporate opportunities, competing with the company, or entering into self-dealing arrangements. Transactions carried out without such approval may be deemed invalid or limited in effect under certain circumstances. In such cases, directors with a special interest are prohibited from exercising voting rights at board meetings.

3.7 What are the main specific corporate governance responsibilities/functions of members of the management body and what are perceived to be the key, current challenges for the management body?

A director is obligated to supervise the conduct of management and fellow directors. The Supreme Court has held that

directors cannot evade liability where they have failed to establish a reasonable information and reporting system, or where misconduct arises from a sustained and systematic failure of oversight.

Recently, there has been a growing trend toward reinforcing corporate directors' duty to monitor legal compliance. Recent Supreme Court decisions have clarified the scope of director liability in cases where internal compliance systems are absent or ineffective. For example, in a derivative lawsuit brought by a shareholder against a representative director seeking damages related to a substantial fine imposed by the Fair Trade Commission for price-fixing collusion, the Court held that – even without the director's direct involvement in or specific knowledge of the collusion – the failure to establish a reasonable internal control system may constitute a breach of the director's duty of oversight.

Issues concerning companies' internal control systems have also emerged as prominent topics at regular shareholder meetings. In particular, during the 2023 regular shareholder meetings, several cases were raised regarding deficiencies in internal control systems. Notably, shareholder proposals to introduce internal control provisions were approved in four cases, based on disclosures from the Financial Supervisory Service's electronic disclosure system, which covered 26 companies and 114 proposals in total.

3.8 Are indemnities, or insurance, permitted in relation to members of the management body and others?

Under the KCC, a company may release directors from liability either with the unanimous consent of all shareholders or pursuant to the articles of incorporation. This release may cover liability exceeding six times the director's annual compensation (or three times, in the case of outside directors). However, this provision does not apply to losses or damages arising from wilful misconduct or gross negligence by the directors.

Liability insurance for directors and officers is also permitted, and many listed companies elect to obtain such coverage. It is common practice for companies to bear the premiums for these insurance policies.

3.9 What is the role of the management body with respect to setting and changing the strategy of the corporate entity/entities?

The board of directors play a pivotal role in establishing a company's long-term vision and objectives, as well as in formulating strategies to achieve them. In Korea, prominent large business groups – commonly referred to as “*chaebols*” – such as Samsung, Hyundai Motors, SK, and LG, are known for providing a forward-looking perspective that facilitates bold decision-making. However, this governance structure has faced criticism for enabling practices such as controlling shareholder tunnelling.

Historically, there has been scepticism surrounding hedge funds' exercise of shareholder rights. In 2015, the United States (“U.S.”) hedge fund Elliott Investment Management contested the controversial merger of Samsung C&T and Cheil Industries but ultimately lost in court. Critics argued that the hedge funds, often driven by short-term profits, may hinder a company's long-term growth by focusing excessively on dividends and short-term returns. Nonetheless, recent shifts in perception have highlighted the potential of shareholder activism to

enhance corporate value by monitoring management decisions and preventing the dilution of shareholder value or the extraction of unlawful gains by controlling shareholders. A notable example occurred in 2023, when SM Entertainment accepted a shareholder proposal from Alin Partners, which led to the termination of contracts with a company wholly owned by SM's controlling shareholder. This move was seen as a step toward strengthening corporate governance, including the implementation of internal controls and institutional restructuring

4 Other Stakeholders

4.1 May the board/management body consider the interests of stakeholders other than shareholders in making decisions? Are there any mandated disclosures or required actions in this regard?

The directors are not legally required to consider the interests of stakeholders. The KCC stipulates that directors must perform their duties in good faith and in the interest of the company, in accordance with applicable laws and the articles of incorporation. In this context, “in the interest of the company” refers to the best interests of the company as a separate legal entity. The KCC does not explicitly prioritise between maximising shareholder interests – particularly those of controlling shareholders – and the interests of the various stakeholders surrounding the company. However, Korean companies are characterised by the strong influence of controlling shareholders, which increases the need to protect minority shareholders. As a result, there is active discussion around amending the Commercial Act to expand the scope of directors' fiduciary duty from the company alone to all shareholders as a whole.

Separately, there has been a notable global trend toward increased attention on stakeholder interests, which has sparked lively discussions in Korea as well. The underlying premise is that taking into account the concerns of various stakeholders can enhance long-term corporate value. Some have even proposed amending the KCC to grant stakeholders a formal role in corporate governance, although such proposals have not yet been adopted.

In terms of disclosure requirements, listed companies with total assets of KRW 500 billion or more must file a Corporate Governance Report with the relevant authority, as stipulated in Article 24-2 of the Securities Market Disclosure Regulations. There is a growing emphasis on active engagement with minority shareholders, which requires management to disclose information about their communication with this shareholder group.

Meanwhile, discussions around mandatory ESG disclosures are ongoing. However, their introduction has been postponed to at least 2026, with the specific timing of implementation to be determined at a later date.

4.2 What, if any, is the role of employees in corporate governance?

Under the KCC, employees lack formal legal mechanisms to monitor or supervise management. While labour offer protections – such as the formation of labour unions, collective bargaining, collective action, and the labour-management council system – matters directly related to corporate management are excluded from the scope of collective bargaining, which companies are obligated to engage in. Moreover, the

labour-management council system has limited capacity to effectively oversee management activities.

In response to growing calls for greater employee participation in corporate governance, proposals for employee representation on boards, the Act on the Management of Public Institutions was amended in 2022. This amendment allowed certain public and quasi-governmental organisations to appoint employees as non-executive directors. As a result, discussions about the potential introduction of employee directors in private sector companies have gradually gained traction.

4.3 What, if any, is the role of other stakeholders in corporate governance?

While applicable laws remain silent on the role of stakeholders in corporate governance, the growing emphasis on ESG practices has heightened the focus on stakeholder-centred governance in Korea. Companies are increasingly disclosing through their sustainability reports and other public materials their efforts to build synergy with stakeholders – including suppliers, consumers, and local communities – through active engagement and collaboration.

4.4 What, if any, is the law, regulation and practice concerning corporate social responsibility and similar ESG-related matters?

Legislation appears to be placing increasing emphasis on disclosure. As noted in question 4.1 above, companies exceeding a certain size threshold are currently required to publish a Corporate Governance Report, and this requirement is scheduled to apply to all listed companies by 2030. This initiative aims to enhance transparency in corporate governance practices and ensure that investors have access to sufficient and reliable information.

The Capital Markets Act seeks to promote gender diversity on corporate boards. Pursuant to Article 165-20, listed companies with total assets exceeding KRW 2 trillion must ensure that their board of directors is not composed entirely of individuals of a single gender.

In the area of governance, a new system has recently been introduced requiring chief executive officers of financial institutions to prepare a “responsibilities map”, which allocates internal control responsibilities to each executive officer.

Furthermore, legislative efforts are underway to enact or amend various laws relating to the environmental protection and workplace safety. These efforts include the introduction and enforcement of the Basic Carbon Neutrality Act, the expansion of environmental disclosure requirements, and the implementation of the Serious Accidents Punishment Act. Recent legislative discussions have also centred on the potential adoption of an “ESG Framework Law”, which could potentially serve as a foundation for other ESG-related legislation.

5 Transparency and Reporting

5.1 Who is responsible for disclosure and transparency and what is the role of audits and auditors in these matters?

According to the Capital Markets Act, the representative director and the director designated for disclosure responsibilities bear the ultimate responsibility for the disclosure of

the business report. Upon submission, both individuals must confirm and certify that the report contains no false statements, material misrepresentations, or omissions of material facts, and are required to sign the report accordingly.

An auditor primarily examines whether the directors have fulfilled their duties, evaluates the company’s operations and assets, and reviews the adequacy of the financial statements and operational reports, culminating in an audit report. Furthermore, companies exceeding a certain size threshold, as well as all listed companies, are required to appoint an independent external auditor (typically an accounting firm) to audit the financial statements prepared by the directors. The external audit report must then be attached to the financial statements and disclosed as part of the business report.

5.2 What corporate governance-related disclosures are required and are there some disclosures that should be published on websites?

Listed companies are required to submit an annual business report within 90 days following the end of each fiscal year, as well as quarterly and semi-annual reports within 45 days after the end of each respective period. These reports must be filed with both the Financial Services Commission and the Korea Exchange. They are publicly accessible via the regulatory bodies’ websites (<https://dart.fss.or.kr> and <https://kind.krx.co.kr>). The reports provide comprehensive information, including board composition, board resolutions, the structure and membership of board committees, executive remuneration, sanctions imposed on directors, and details regarding controlling shareholders.

Moreover, the Corporate Governance Report must be submitted to the Korea Exchange by May 31 of each year and made publicly available online. This report outlines the company’s corporate governance policy, including its governance principles, operational direction, and the structural characteristics of its governance framework – such as the composition of the board of directors and its committees.

The preparation of sustainability reports remains voluntary, and there are currently no statutory guidelines governing their content or format. Nevertheless, in practice, these reports often include a dedicated section on corporate governance, offering insight into the structure and operations of the board of directors, with a particular emphasis on alignment with global standards. Typically, sustainability reports are published on each company’s website for public access.

5.3 What are the expectations in this jurisdiction regarding ESG- and sustainability-related reporting and transparency?

Korean companies operating in the U.S. and European Union (“EU”), as well as those exporting to these regions, are directly affected by evolving disclosure regulations – such as the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards in the EU, and the Securities and Exchange Commission’s disclosure mandates in the U.S. In response to these regulatory developments, many companies are actively engaging external consulting and law firms to obtain timely and effective guidance on compliance strategies.

In response to the rapidly evolving global disclosure landscape, the Korean government and relevant disclosure authorities – such as the Korea Sustainability Standards Board under

the Korea Accounting Institute – are actively preparing to introduce disclosure regulations or standards tailored to Korean companies. As part of these efforts, various resources have been published, including the *ESG Disclosure Standards Guidebook*, *Corporate Governance Report Guidelines*, and *K-ESG Guidelines*, to support and educate companies on appropriate disclosure practices.

In light of growing concerns over ESG-washing, ongoing discussions are centred on enhancing the accuracy and transparency of ESG-related disclosures. In Korea, three major ESG rating agencies – Sustainvest, the Korea Institute of Corporate Governance and Sustainability, and the Korea ESG Research Institute – have responded by jointly developing and implementing the *ESG Rating Agency Guidelines*, which came into effect on September 1, 2023.

5.4 What are the expectations in this jurisdiction regarding cybersecurity and technology-related reporting and transparency?

In 2021, regulations were introduced mandating companies to disclose their information protection practices, addressing

growing concerns over the lack of transparency in this area. These disclosure requirements apply to three main categories of companies: (i) companies engaged in the businesses that necessitate a high level of disclosure regarding information protection, such as telecommunications providers, advanced general hospitals, and cloud computing service providers; (ii) listed companies with annual sales of KRW 300 billion or more that are obligated to designate and report a chief information protection officer; and (iii) companies providing information and communication services to one million or more users within a three-month period.

These companies must disclose information concerning their information protection practices, including investments in information security, staffing, certifications, evaluations, and inspections. To the accuracy and transparency of such disclosures, the Korea Internet and Security Agency is authorised to conduct post-verification reviews.



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