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.

More recently, however, shareholder activism in Korea has increased noticeably. The introduction of the Stewardship Code, together with the growing presence of retail investors, has encouraged more active shareholder participation. At the same time, a series of amendments to the KCC have been introduced to address the persistent undervaluation of Korean companies, commonly referred to as the "Korea discount". These reforms clarify that directors owe a duty of loyalty not only to the company but also to its shareholders, requiring directors to take into account shareholder interests in a fair and balanced manner.

The revised KCC also requires listed companies with total assets of KRW 2 trillion or more to adopt cumulative voting and provides a legal framework for hybrid shareholder meetings that enable real-time electronic participation alongside in-person attendance. These measures are expected to facilitate broader shareholder engagement and enhance the likelihood of minority representation on the board, potentially reshaping corporate governance dynamics.

In addition, the KCC introduces a general principle favouring the cancellation of treasury shares, with companies expected to adopt structured policies governing their acquisition, holding, and disposal.

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.
(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 shareholders, 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.
(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 2026, the Code has been adopted by 251 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?

Please see question 2.6 above.

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. Under the KCC, directors have a duty to perform their duties with the care of a good manager and to be loyal to the company and the shareholders. According to the KCC amendment dated July 22, 2025 (effective as of the same date), this duty of loyalty has been expanded to include the protection of the interests of all shareholders and their fair treatment. The representative director, often serving as the Chief Executive Officer, 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. Pursuant to the KCC amendment dated July 22, 2025 (effective as of July 23, 2026), at least one-third of the board must be composed of independent directors, with limited exceptions, an increase from the previous requirement of one-fourth. 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 them 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. Pursuant to the KCC amendment dated September 9, 2025 (effective as of September 10, 2026), cumulative voting has become mandatory for large listed companies with total assets of KRW 2 trillion or more, as these companies are no longer permitted to exclude cumulative voting through their articles of incorporation.

The KCC amendments have significantly strengthened the independence of the audit body by restricting the influence of large shareholders across all types of auditor elections. Under the KCC amendment dated July 22, 2025 (effective as of July 23, 2026), the "3% Rule", which limits the voting rights of the largest shareholder and their related parties to a combined 3%, has been expanded. While this restriction previously applied only to the election of audit committee members who were not independent directors, it now applies to the election of all auditors and audit committee members, including those who are independent directors. This expansion ensures that the controlling shareholder's influence is substantially curtailed throughout the entire process of forming the audit body.

Furthermore, according to the KCC amendment dated September 9, 2025 (effective as of September 10, 2026), large-scale listed companies with total assets of KRW 2 trillion or more must now separately elect at least two audit committee members from other directors, an increase from the previous requirement of one member.

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 according to Article 388 of the KCC. 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.

However, according to recent landmark Supreme Court decisions (Supreme Court Decision 2025Da210138, April 24, 2025; Supreme Court Decision 2025Da219931, April 2, 2026), a director who also holds shares in the company is deemed a "specially interested person" regarding the shareholder resolution to approve the remuneration ceiling for directors. Pursuant to Article 368(3) of the KCC and the decisions, such a director is prohibited from exercising their voting rights on the matter, and their shares are excluded from the count of voting rights present at the meeting.

Furthermore, the Supreme Court has strictly interpreted the boundaries of delegating compensation decisions to prevent self-dealing. In a significant 2025 ruling (Supreme Court Decision 2025Da214605, December 11, 2025), the Court declared that delegating the authority to a representative director to determine their own compensation is a violation of Article 388 of the KCC and is therefore null and void. The Court emphasised that Article 388 is a mandatory provision designed to ensure transparency and oversight; thus, any arrangement that allows a representative director to virtually determine their own remuneration without substantive board or shareholder check-and-balance is legally ineffective.

These judicial trends align with the KCC amendments in 2025 and 2026, which expanded the directors' duty of loyalty to include the protection of the interests of all shareholders and their fair treatment. Meanwhile, institutional investors, such as the National Pension Service, have demonstrated a more active approach to exercising their shareholder rights by opposing the approval of executive compensation ceilings that lack reasonable justification.

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, as stated above, in shareholder resolutions concerning the approval of the remuneration ceiling for directors, shareholder-directors are deemed to have a conflict of interest as "specially interested persons" under the KCC. According to recent landmark Supreme Court decisions stated above, such directors are not only prohibited from exercising their voting rights on the matter, but their shares are also strictly excluded from the count of voting rights present at the meeting for the purpose of calculating the quorum.

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 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. Under the recent KCC amendments, this responsibility has been further heightened as the directors' duty of loyalty now explicitly includes the protection of the interests of all shareholders and their fair treatment. Consequently, directors are now required to ensure that internal control systems are designed not only to prevent legal violations but also to safeguard the proportional interests of minority shareholders.

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 line with the recent KCC amendments, which introduced mandatory cumulative voting and expanded the separate election of audit committee members for large-scale listed companies, shareholders are increasingly demanding more robust internal governance. Notably, shareholder proposals to introduce internal control provisions and to appoint independent directors nominated by minority shareholders have seen a significant rise. Companies now face the challenge of proving the fairness and reasonableness of their decision-making processes through detailed documentation and the establishment of special committees to manage potential litigation risks arising from the expanded duty of loyalty.

3.7 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.

3.8 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. In response, recent KCC amendments expanded the directors' duty of loyalty to include the protection of the interests of all shareholders. This requires boards to ensure that corporate strategies, such as mergers or spin-offs, do not disproportionately benefit controlling shareholders at the expense of minority shareholders.

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. However, reinforced by the government's "Value-up" initiative and the strengthened KCC, shareholder activism has evolved into a mainstream force for improving corporate governance.

Another recent trend is the surge in shareholder proposals targeting "capital efficiency". In early 2026, several listed companies in the banking and holding sectors were compelled to adopt mandatory treasury share cancellation policies. This shift followed arguments by activist funds that holding large amounts of "dead" treasury shares could be used as a "white knight" defence for controlling shareholders, thereby violating the directors' duty to ensure the fair treatment of all shareholders. Under this new legal landscape, boards are increasingly establishing Independent Special Committees and seeking Third-Party Fairness Opinions to document their decision-making process. Failure to provide such evidence now carries a severe risk of personal liability for directors under the expanded duty of loyalty, making the "proportional interest of shareholders"' the primary standard for all corporate strategies.

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?

With the amendment to the KCC in 2025, the scope of directors' duty of loyalty has been expanded. In other words, directors are required to perform their duties faithfully not only for the company but also for its shareholders, in accordance with applicable laws and the articles of incorporation. In carrying out their duties, directors must protect the interests of all shareholders and treat the interests of all shareholders fairly (Article 382-3 of the Commercial Code).

Meanwhile, unlike the duty of loyalty owed to shareholders, which is expressly stipulated in the Commercial Code, the Act does not contain any provision indicating that directors owe a duty of loyalty to other stakeholders.

Nevertheless, 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 relation to disclosure, the Financial Services Commission announced a draft roadmap for sustainability (ESG) disclosure on February 25, 2026. According to this draft roadmap, Korea Composite Stock Price Index-listed companies with consolidated assets of KRW 30 trillion or more will be subject to mandatory disclosure starting in 2028 (for the 2027 fiscal year), with the obligation to be implemented in phases thereafter.

As for the disclosure standards, climate-related disclosures – where internationally established standards already exist – will be mandated first, while disclosures on other areas such as ESG factors, beyond climate, will be left to the discretion of companies. These developments in disclosure obligations can be understood as reflecting the influence of stakeholder-oriented governance, which seeks to enhance a company's long-term value by taking into account not only shareholders but also the interests of a broader range of stakeholders.

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

In response to growing calls for greater employee participation in corporate governance and 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.

In addition, following the amendment to the Trade Union and Labor Relations Adjustment Act on September 9, 2025, the scope of matters over which labour unions may engage in industrial action has been expanded. As a result, issues relating to managerial decisions that affect working conditions – such as collective redundancies and mergers and acquisitions – may now be subject to lawful strikes through labour disputes. Consequently, employees are now able to exert a certain degree of influence over a company's managerial decisions through the indirect means of industrial action.

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 – Sustinvest, 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 Korea, expectations regarding cybersecurity and technology-related reporting and transparency are primarily governed by the Personal Information Protection Act, supplemented by sector-specific regulations such as the Information and Communications Network Act. Companies are required to implement appropriate technical and organisational security measures, maintain transparent data processing practices (including privacy notices), and, where applicable, designate responsible officers such as a Chief Privacy Officer. In the event of a data breach, organisations must notify affected individuals without delay and, in certain cases (e.g., where a large number of individuals are affected or sensitive data is involved), report the incident to the relevant authorities such as the Personal Information Protection Commission within a relatively short timeframe, generally understood to be around 72 hours.

In addition, there is a growing emphasis on corporate accountability and transparency in cybersecurity matters. Regulatory expectations are expanding to cover not only data leaks but also incidents involving data alteration, damage, or potential compromise, and enforcement trends indicate increasing scrutiny and stricter sanctions for non-compliance. Companies are therefore expected to maintain robust internal incident response systems, ensure timely and accurate reporting, and provide clear disclosures to both regulators and affected individuals. Failure to comply may result in administrative sanctions, regulatory investigations, and potential civil liability.

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Her standout strength lies in her deep involvement across all stages of a company's lifecycle – from early stage financing to IPOs, M&As, and exit strategies. Notably, she advised both the issuer and the underwriters as deal counsel in the landmark IPO of Prestige BioPharma, the first and only DR-based listing by a foreign company on the KRX main board, broadening the regulatory framework for cross-border offerings. Drawing on her experience at both a Korean law firm and a U.S. unicorn startup, Yujin brings a practical yet globally informed perspective. She regularly contributes to publications such as *Chambers and Partners*, *ICLG*, and has co-authored books including *Shareholder Activism and the Stewardship Code* and *IPO Practice Insights*.

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Jihye Lee is a partner lawyer at Jipyong LLC, specialising in corporate law and M&A transactions. With a passion for providing comprehensive legal solutions, Ms. Lee also focuses on compliance and ESG consulting. As a key member of the M&A Corporation Group at Jipyong LLC, Jihye has played a pivotal role in numerous high-profile mergers, acquisitions, and restructuring deals. Beyond M&A, she is recognised for her proficiency in general corporate counselling, providing invaluable advice to clients on a wide range of corporate matters spanning from heavy industry sectors to high-technology IT sectors. Whether drafting contracts, resolving disputes, or navigating regulatory frameworks, she delivers insightful guidance tailored to meet the unique needs of each client.
Compliance is another area in which Jihye excels, helping clients adhere to legal and regulatory standards while mitigating risks and promoting corporate governance best practices.
Building on this expertise, Jihye is currently based in Budapest as a founding member of Jipyong LLC's first European office, established to expand the firm's presence in the CEE region. In this role, she provides comprehensive legal advisory services to Korean clients operating not only in Hungary but throughout the broader CEE market. Driven by a passion for excellence and a dedication to serving her clients' needs, Jihye continues to make significant contributions to the field of corporate law.

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Jipyong LLC is a Korean law firm, headquartered in Seoul, specialising in litigation, arbitration, corporate law, mergers and acquisitions, international transactions, overseas investment, financial securities, PE, construction real estate, fair trade, labour law, bankruptcy restructuring, intellectual property rights, criminal law, taxation, constitutional law, public administration, insurance, maritime law, international arbitration and inheritance and domestic affairs.
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