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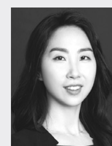
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1 Setting the Scene – Sources and Overview

1.1 What are the main corporate entities to be discussed?

The most common structure for for-profit entities in Korea is the stock company. This chapter focuses on stock company (*ju-sik-hoe-sa*) listed on the Korea Exchange.

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

The main source of law governing corporate governance is the Korean Commercial Code (the "KCC"). The Financial Investment and Capital Markets Act (the "Capital Markets Act") imposes additional regulations concerning public disclosure, insider trading, and board of directors' composition on listed companies. Furthermore, listed companies must comply with the Rules on Issuance of Securities and Disclosure, as well as the Korea Exchange Market Listing Rules and Disclosure Rules. Additionally, the Monopoly Regulations and Fair Trade Act (the "Fair Trade Act") also plays significant roles in corporate governance.

While judicial precedents lack binding legal authority, they significantly influence legal interpretation and practice within the Korean legal system.

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

In Korea, controlling shareholders often play a dominant role in corporate governance, leading to conflicts of interest between majority and minority shareholders, which overshadow the typical agency problems between management and shareholders observed in other jurisdictions.

The KCC itself places substantial authority to shareholders. According to the KCC, certain fundamental matters of a company must be resolved at a general meeting of shareholders. For instance, unless otherwise stipulated in the articles of incorporation, the shareholders' meeting approves financial statements, determines dividends, and decides on major organisational changes, such as mergers, divisions, business transfers, changes in articles of incorporation, and reduction of capital. Additionally, the KCC establishes standards for the duties and liabilities of management, as well as various rules to limit the influence of controlling shareholders and protect the rights of minority shareholders.

While statutes empower shareholders, active shareholder engagement is rarely observed in practice. Rather, there is a prevailing practice where corporate decisions are influenced by the intentions of controlling shareholders, with management often acting according to their directives.

However, there is a discernible trend toward heightened shareholder activism, driven by factors such as the introduction of stewardship codes and an increase of individual shareholders. In particular, institutional investors, like the National Pension Service, are demonstrating a growing propensity to exercise their voting rights and submit additional shareholder proposals.

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?

Amidst growing recognition that sustainable growth and long-term shareholder value can be achieved through improving corporate governance, the importance of sound corporate governance is being emphasised. There is a need to establish a robust corporate governance framework to ensure fair decision-making in situations where the interests of controlling shareholders and minority shareholders may conflict. To this end, there is a growing movement to actively exercise shareholder rights.

Interest in corporate Environmental, Social, Governmental ("ESG") management is also increasing. Major institutional investors and asset management firms are promoting ESG as a critical criterion for shareholder activism.

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 have the right to vote on strategic decisions and major management matters of a company at a general meeting of shareholders. Specifically, major agenda items on which shareholders can exercise their voting rights at the meeting are as follows:

(i) Matters relating to corporate structure or finance: amendment of the articles of incorporation; particulars of a share issue (if the AOI authorises); issuance of convertible bonds and bonds with warrants (if the AOI authorises); grant of stock options; and approval of financial statements, dividends, and reduction of capital.

(ii) Strategic decisions: merger, division, or transfer of the whole or a substantial part of the business of the company; and dissolution.
(iii) Operational decisions: appointment of directors, auditors, and independent directors (in the case of representative directors, if the AOI grants such appointment right to shareholders); determination of executive remuneration (if the articles of association do not specify the amount; provided that, in practice, a general meeting of shareholders sets the limit of the remuneration and the specific amount is determined by the board of directors); and release of directors' liability to the company.

In addition to the aforementioned voting rights, shareholders may also enjoy the following rights, provided they meet the respective shareholding ratio thresholds:

(i) Regarding a general meeting of shareholders: the rights to convene a general meeting of shareholders; appoint an inspector; make a shareholder proposal; and request for cumulative voting.
(ii) Regarding access to information: the right to request access to books and records; and the right to inspect business affairs and assets.
(iii) Regarding corporate executives: the right to request removal of directors, auditors, and liquidators; claim for injunction of illegal acts of executives; and file a representative lawsuit for the company and multiple derivative lawsuit for subsidiaries.
(iv) Regarding the preservation of invested capital: the right to request a judgment of dissolution; and appraisal rights of shareholders opposing a merger.

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

(i) Powers that can be exercised in advance: prohibiting the exercise of voting rights, the issuance of new shares and the holding of general meetings of shareholders; granting permission for extraordinary general meetings of shareholders; suspending the effect of resolutions of shareholders' meeting; prohibiting interlocking directorates and illegal acts by executives; and requesting access to accounting books and shareholders' register.
(ii) Powers that can be exercised *ex post facto*: cancelling resolutions of the general meeting of shareholders; confirming invalidity and non-existence, cancelling or changing unfair resolutions; confirming shareholder rights; updating records of share ownership; issuing share certificates; purchasing shares from dissenting shareholders; filing damages against executives on behalf of the company; addressing maintenance of illegal acts (to maintain a damage action); filing claims for injunctions against illegal acts; regulating the issuance of new shares and convertible bonds; seeking confirmation of invalidity in the issuances, mergers and divisions; and filing claims for non-existence or invalidity of 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.

However, shareholders that meet certain shareholding thresholds may face additional liabilities to the company or other shareholders. For instance, a controlling shareholder with a 95%, or more, stake is obliged to purchase shares from a minority shareholder upon request. Furthermore, a person who uses his or her influence over the company to give business instruction to a director will be treated as a director with a duty of care and become liable for damages if the person neglects this duty.

There are restrictions that apply to major shareholders, the largest shareholders, or their specially related persons. Major shareholders and their specially related persons who are prohibited from receiving credit facilities from the company or engaging in similar transactions, and listed companies with the total attest of KRW 2 trillion or more, must obtain approval from the board of directors prior to engaging in interested transactions in the amount of 1% of total assets or sales, or more. In addition, the largest shareholder, and persons specially related to such shareholder, cannot be appointed as outside directors.

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

The general meeting of shareholders consists of the annual regular meeting and occasional extraordinary meetings that may be convened by the board or exercised by the relevant shareholder right. Regular meetings are generally held in late March, while the meeting dates are gradually being dispersed throughout, per the Financial Services Commission's recommendation.

Subject to certain shareholding threshold requirements, shareholders have the right to convene a general meeting of shareholders, appoint an inspector, propose agendas for the meeting, and/or 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 stated in question 2.2, a shareholder must not have any liability to the company or other shareholders in connection with the management decisions of the company, other than the capital invested by the shareholder. However, in case a shareholder uses an influence over the company to give business instruction to a director, such shareholder will be treated as a director.

However, institutional investors must adhere to applicable laws or self-adopted guidelines, such as the Asset Management Guidelines and the Stewardship Code, to engage in corporate governance. For example, institutional investors managing third-party assets must comply with fiduciary duties outlined in the Trust Business Act and the Capital Markets Act; and those managing state funds must exercise their voting rights in accordance with the asset management guidelines.

After the court emphasised the stewardship duty of institutional investors in the recent merger case, the National Pension Service introduced the Stewardship Code in 2019. As of 2024, the code has been adopted by 222 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, including: (i) prohibition

of issuing new shares, granting permission for extraordinary general meetings of shareholders, prohibition of holding general meetings of shareholders, provisional injunctions or suspension of the effect of general meetings of shareholders, and cancellation or invalidation of resolutions from general meetings of shareholders; and (ii) claims for injunctions against illegal acts by directors, claims for damages against directors, and 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 its directors. If the company does not file such a lawsuit within 30 days of receiving the claim, or if there is a risk of irreparable damage to the company, the shareholder may file a lawsuit directly prior to the lapse of the 30-day period.

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 shareholders' 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.

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 have various legal powers as described above, practices at shareholder meetings – such as making proposals and passing resolutions – and the exercise of other shareholder rights have often been swayed by the opinions of a few controlling shareholders historically.

Since the early 2000s, civic groups and activist funds have worked to improve shareholder activism in Korea and challenge corporate decisions led by a few 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, their efforts have had limited impact against prevailing practices.

However, the introduction and spread of the Stewardship Code in 2019, combined with a surge in public interest in stock investment (the number of individual stock investment accounts more than doubled between 2020 and 2023), have rapidly propelled the movement of shareholder activism in Korea, which is evidenced by a more than sevenfold increase in the number of companies subject to shareholder action between 2020 and 2023.

Currently, there is no regulation on shareholder activism practices in Korea. However, activist shareholders should be aware of the disclosure obligations explained previously in question 2.6 above. Additionally, shareholders who hold 10% or more of total shares should be aware of their obligation to return short-term trading profits if they profit from buying and selling 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 consists of the board of directors and the representative director. Important 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 handle the company's day-to-day activities.

The following matters requires a board resolution under the KCC: the appointment of 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 directors' engagement in competition with the company, appropriating corporate opportunities, and engaging in self-dealing transactions.

Listed companies are required to have independent directors, who are non-executive directors independent from both management and controlling shareholders. These independent directors are expected to exercise professional and objective judgment. With some exception, a minimum of one-quarter of the board must consist of independent directors. Furthermore, boards of companies with assets of KRW 2 trillion and more are obligated to have the majority of independent directors, with a minimum of three directors fulfilling this requirement.

Korean stock companies must establish an internal supervisory body, which can be either a statutory auditor or an audit committee, to oversee the company's business and accounting affairs. Auditors have the authority 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 latest business year are KRW 2 trillion or more, it must form 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 shareholders. The representative director is elected from among the directors by the board, although if the articles of incorporation permit, the representative director may be elected at a meeting of shareholders, instead of by the board.

An amendment to the KCC, enacted in December 2020, introduced a separate election system for audit committee members. In the case of listed companies, when electing an auditor at a general meeting of the shareholders, each shareholder is only permitted to vote up to 3% of the total outstanding

voting shares. This "3% Rule" aims to limit the influence of large shareholders on the appointment of a statutory auditor.

The separate election system separates the process of appointing "directors who become audit committee members" and "directors who do not become audit committee members" as separate agendas from the director appointment stage, applying the 3% restriction to "directors who become audit committee members" from the director appointment stage. This allows minority shareholders to exercise their shareholder proposal rights to nominate individuals they desire as candidates for "directors who become audit committee members" and to have them elected.

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 specified in the articles of incorporation. The KCC grants shareholders significant involvement in setting director compensation. However, in practice, most companies do not directly set the actual compensation amounts for directors at general meetings of shareholders. Instead, they only approve a ceiling for the aggregate director remuneration at such meetings and the determination of individual director salaries is often delegated to the board of directors within this approved ceiling.

Meanwhile, in 2024, the National Pension Service has demonstrated a tendency to actively exercise its shareholder rights by opposing the approval of executive compensation limits at ordinary general meetings of shareholders.

Under the Capital Markets Act, a listed corporation must disclose, in its business report, the remuneration for each of its registered directors and the specific criteria and method of calculation thereof, if such remuneration is above an amount up to KRW 500 million, as well as 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 having a conflict of interest concerning resolutions to be adopted by the board of directors or relevant shareholders' meetings are prohibited from exercising their voting rights. For instance, if a director who holds shares is granted indemnification through a resolution at a shareholders' meeting, that director is ineligible to vote as a shareholder. Likewise, in shareholder resolutions concerning directors' compensation, shareholder-directors are considered to have a conflict of interest and are therefore ineligible to vote.

The Capital Markets Act prohibits engaging in unfair trading, such as insider trading, which involves using material non-public information regarding the acquisition or disposal of the company's stocks. If an executive, employee, or a shareholder with more than 10% of total outstanding shares of a listed company violates this rule, that person will be liable for damages and must return any profit derived from selling or purchasing the shares.

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

Convocation of the board of directors' meeting

Each director may call a board of directors meeting, unless a specific director with the convocation authority has been designated by a board resolution. Any director not designated with this authority may request the designated director to convene a board meeting.

Methods of resolution by the board of directors

A majority of directors must be present at the meeting, and the affirmative votes of a majority of the directors present are required, to pass a resolution. The articles of incorporation may stipulate a higher threshold. Auditors have the right to attend board meetings and express opinions, but do not have voting rights. In the event of a tie, the resolution is rejected, and the representative director does not hold 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 has fiduciary duties toward the company. Directors' fiduciary duties are usually categorised as duty of care and duty of loyalty. The duty of care requires directors to exercise the level of care expected of a prudent individual in similar circumstances and applies to all board members. On the other hand, the duty of loyalty mandates directors to avoid conflicts of interest with the company. Under the KCC, directors who violate laws or regulations or neglect their duties may be held jointly and severally liable to the company for losses caused by their breach.

The KCC categorises and regulates transactions where the management's interests conflict with those of the company. On the one hand, listed companies are prohibited from granting credit (including leasing of property with economic value, money, etc.) to related parties, including major shareholders and directors. On the other hand, directors' appropriation of corporate opportunities and engagement in competing businesses and self-dealing transactions require prior approval from the board of directors. Transactions conducted without such approval may have limited effect under certain circumstances. In cases of appropriation of corporate opportunities and engagement in competing businesses and self-dealing transactions, directors with a special interest are barred 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 required to oversee the conduct of the management and other directors. The Supreme Court ruled that directors cannot avoid liability if they failed to establish a reasonable information and reporting system, or if misconduct occurs due to a sustained and systematic failure of oversight.

Recently, there has been a continuing trend demanding the reinforcement of corporate directors' duty to monitor compliance. Recent Supreme Court decisions have shed light on the liabilities of directors when there is no internal compliance system to deter misconduct. For instance, in a derivative lawsuit filed by a shareholder against a representative director for damages relating to a large penalty fine imposed on the company by the Fair Trade Commission due to price fixing collusion with its competitors, the Supreme Court ruled that, even in the absence of the representative director's direct involvement or specific knowledge of the collusion, failure to make efforts to establish a reasonable internal control system could constitute a breach of oversight duty by the representative director.

Issues related to companies' internal control systems have also become prominent topics at regular shareholder meetings. In particular, in the 2023 regular shareholder meetings, several cases were brought up regarding the company's internal control systems. Notably, there were four cases where proposals to introduce internal control provisions were approved through shareholder proposals (based on disclosures from the Financial Supervisory Service's electronic disclosure system, covering 26 companies and 114 proposals).

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 with the unanimous consent of all shareholders or according to the articles of incorporation. This release can extend to liability exceeding six times the director's annual compensation (or three times for outside directors). However, this provision does not apply to losses or damages resulting from intentional misconduct or gross negligence on the part of the directors.

Liability insurance for directors and officers is also permitted, with many listed companies opting to secure such coverage. It is common practice for companies to bear the premiums for such insurance.

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 crafting strategies to achieve them. In Korea, prominent large business groups, commonly referred to as chaebols, such as Samsung, Hyundai Motors, SK, and LG, provide a forward-looking perspective for bold decision-making. However, this governance structure has faced criticism for issues like controlling shareholder tunnelling.

Historically, there has been scepticism regarding hedge funds' exercise of shareholder rights. In 2015, the 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, driven by short-term profits, may impede a company's long-term growth by focusing solely on dividends and short-term profits. Nonetheless, recent shifts in perception highlight the potential of shareholder activism to enhance corporate value by exerting control over management decisions and preventing the dilution of shareholder value or unlawful gains by controlling shareholders. A notable instance occurred in 2023 when SM Entertainment accepted a shareholder proposal from Alin Partners, resulting in the termination of contracts with a company fully owned by the majority shareholder of SM. This action demonstrated a commitment to corporate governance reforms, 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 mandated to consider stakeholder interests. The KCC specifies that directors must perform their duties in good faith for the interest of the company, in accordance with applicable laws and the articles of incorporation. In this context, "for the interest of the company" refers to the best interests of the company itself as a separate legal entity. The KCC does not explicitly prioritise between maximising the interests of shareholders, particularly the controlling shareholder, and the interests of the diverse stakeholders surrounding the company.

Recently, there has been a notable increase worldwide in the focus on stakeholder interests, sparking lively discussions in Korea. The premise is that considering the concerns of various stakeholders can enhance company value over time. There have even been suggestions to amend the KCC to grant stakeholders a role in corporate governance, although these proposals have yet to be implemented. Meanwhile, one contentious issue in Korea centres on safeguarding the interests of minority shareholders from potential abuse by controlling shareholders.

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 actively engaging with minority shareholders, which requires management to disclose details of their communication with this shareholder group.

The Financial Services Commission will gradually implement sustainability reporting requirements, which will include governance-related information. Starting in 2030, listed companies of a certain size will be required to file sustainability reports.

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

Under the KCC, employees lack legal mechanisms for monitoring and supervising management. While labour laws provide protection through avenues such as the establishment of labour unions, collective bargaining, collective action, and the labour-management council system, matters directly related to management are excluded from collective bargaining agreements, which companies are required to negotiate. Moreover, the labour-management council system has limited capacity to effectively oversee management activities.

In response to growing calls for employees' involvement in management, including the inclusion of employee directorships, the Act on the Management of Public Institutions underwent an amendment in 2022. This amendment permitted specific public and quasi-governmental organisations to appoint employees as non-executive directors. Consequently, there has been a gradual increase in discussions surrounding the potential introduction of employee directors in private companies.

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

While applicable laws are silent on the role of stakeholders in corporate governance, the surge of interest in ESG practices has sparked a heightened focus on stakeholder-centeredness in Korea. Companies are now increasingly disclosing in their sustainability reports and other public materials their endeavours to foster 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 prioritising disclosure. As stated in question 4.1 above, companies exceeding a specific size threshold

must publish a Corporate Governance Report and by 2030 this requirement will extend to all listed companies. This initiative aims to promote transparent disclosure of corporate governance practices, ensuring investors have access to adequate information.

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

In 2021, the Financial Services Commission announced its plan to require sustainability reports from for companies with total assets of KRW 2 trillion or more in 2025 and to expand the scope of such requirements to more companies gradually. Nonetheless, ongoing discussions are considering the possibility of postponing this timeline to better align it with other disclosure systems.

Furthermore, there are ongoing legislative efforts to enact or amend various laws concerning the environment and workplace safety. These efforts include the introduction and enforcement of the Basic Carbon Neutrality Act, the expansion of requirements for disclosing environmental information, and the implementation of the Serious Accidents Punishment Act. Additionally, recent legislative discussions have focused on the potential introduction of an "ESG Framework Law", which could potentially serve as a foundation for other ESG-related laws.

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 duties bear the ultimate responsibility for business report disclosure. Upon submission of a business report, both the representative director and the designated director must confirm and verify that the report does not contain any false statements, material misrepresentations, or omissions of material facts. They are then required to sign the report accordingly.

An auditor primarily scrutinises the fulfilment of directors' responsibilities, delves into the company's operations and assets, and assesses the adequacy of financial statements and operational reports, resulting in an audit report. Furthermore, companies above a certain size and all listed companies are mandated to engage an independent external auditor (an accounting firm) to audit the financial statements prepared by the directors. The external audit report must then be appended 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 mandated to furnish a business report within 90 days following the end of each business year, along with quarterly and semi-annual reports within 45 days after the end of each quarter- and half-year, to both the Financial Services Commission and the Korea Exchange. These reports are made available for public scrutiny on the respective websites of the regulating bodies (https://dart.fss.or.kr or https://kind.krx.co.kr/). The reports are comprehensive, covering details such as the board composition, board resolutions, committee composition within the board of directors, executive remuneration, sanctions against directors, and the information regarding the controlling shareholders.

Moreover, the Corporate Governance Report must be submitted to the Korea Exchange by May 31 of each year and published online. This report delineates the corporate governance policy, encompassing governance principles, operational direction, as well as the structural characteristics of the corporate governance framework, including the composition of the board of directors and its committees.

The preparation of sustainability reports remains optional and there are currently no statutory guidelines on how to prepare them. However, in practice, these reports often include a section on corporate governance, providing insight into the structure and functioning of the board of directors, with an emphasis on compliance with global standards. Typically, such reports are made publicly available on each company's website.

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

Korean companies with operations in the US and EU, as well as exporters to these regions, are directly impacted by the evolving disclosure regulations, such as the Corporate Sustainability Reporting Directive ("CSRD") and European Sustainability Reporting Standards ("ESRS") in the EU, and the SEC's disclosure mandates in the US. In their efforts to navigate these regulatory changes effectively and promptly, such companies are seeking guidance from external consulting firms and law firms.

In response to the rapidly evolving disclosure regulations on the global stage, the Korean government and pertinent disclosure bodies, such as the Korea Sustainability Standards Board of the Korea Accounting Institute, are preparing to implement disclosure regulations or standards tailored for Korean companies. As part of this preparation, resources, such as the ESG Disclosure Standards Guidebook, Corporate Governance Report Guidelines, and K-ESG Guidelines, have been published to assist and educate companies on the proper methods of information disclosure.

Regarding the concern of ESG-washing, ongoing discussions are focused on ensuring the accuracy and transparency of information. Three prominent ESG rating agencies in Korea – Sustinvest, Korea Institute of Corporate Governance and Sustainability, and Korea ESG Research Institute – have developed and put into effect the ESG Rating Agency Guidelines since September 1, 2023.

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

In 2021, regulations mandating companies to disclose their information protection status were introduced, addressing concerns about the lack of transparent disclosure regarding companies' information protection practices in the market. These regulations apply to three main categories of companies: (i) companies engaged in the businesses requiring the significant level disclosure about information protection, such as telecommunications providers, high-level general hospitals, and cloud computing service providers; (ii) listed companies recorded sales in the amount 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 1 million or more users within a three-month period.

These entities are required to disclose their information protection status covering aspects such as investment on information security, personnel, certifications, evaluations, inspections, etc.

To ensure the transparency of these disclosures, a government agency – the Korea Internet and Security Agency – may conduct a post-verification process.

Min Shin is a partner at Jipyong and mainly advises and represents domestic and international corporate clients in domestic and transnational mergers & acquisitions, corporate finance, corporate governance structure, fair trade, bankruptcy/restructuring as well as environmental matters.
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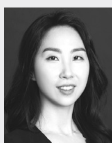

Bohee Park is an attorney at Jipyong. Her practice primarily focuses on complex commercial litigation, financial dispute, corporate governance, and corporate and securities law matters. She has advised both public and private companies in a wide range of industries in connection with general corporate matters, corporate governance, and compliance matters. Known for her adept problem-solving skills, she approaches her clients' challenges with a personal commitment to finding effective solutions.
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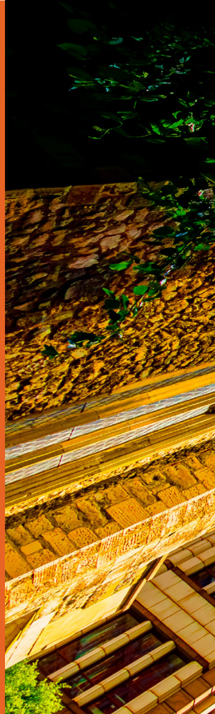

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