



MANDATORY DISCLOSURE OF CORPORATE GOVERNANCE TO BE PHASED IN FROM 2019

The FSC and KRX plan to introduce mandatory disclosure of corporate governance into Kospi-listed companies with total asset value of more than KRW 2 trillion, starting from 2019, and phase it into all Kospi-listed companies over the next two years.

Background

Korea introduced the “comply or explain” approach for corporate governance disclosure in March 2017, in which, on a voluntary basis, companies either *comply* with corporate governance principles, or *explain* publicly why if they do not comply.

However, the voluntary disclosure has revealed some limitations including low participation of companies and poor quality of disclosed information, making it difficult to provide market participants with sufficient information about corporate governance such as a company’s decision-making structure and internal controls.

Against this backdrop, the FSC came up with its plan to improve listed companies’ disclosure of corporate governance, based on discussions with relevant institutions including the KRX and the results of a survey conducted on listed companies.

Key changes

1. Mandatory disclosure of corporate governance

Starting from 2019, Kospi-listed companies with total asset value of more than KRW 2 trillion will be required to mandatorily disclose their corporate governance. The FSC considers expanding the mandatory disclosure to all Kospi-listed companies starting from 2021.

※ The FSC is also considering introducing mandatory disclosure of corporate governance to Kosdaq-listed companies. Details including the timing of introduction are left for further discussions.

2. Guidelines on corporate governance disclosure

To improve the quality of disclosed information, guidelines will be provided to specify details of corporate governance principles that corporate governance reports must entail. That will enable investors to compare corporate governance information among listed companies and provide stakeholders with more useful information.

※ The guidelines will be set out by July 2018.

3. Disciplinary measures against violation of disclosure rules

Violations of corporate governance disclosure rules such as non-disclosure or substandard disclosure will come under disciplinary measures. Details such as levels of disciplinary actions are left for further discussions.

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