

## FSC PLANS TO IMPROVE CORPORATE DISCLOSURE RULES

Vice Chairman Doh Kyu-sang held a meeting with industry officials and experts via teleconference on January 14 and discussed the government's plans to improve rules on corporate disclosure.

The following is a summary of Vice Chairman Doh's remarks.

### **BACKGROUND**

As the pandemic situation continues, there are growing uncertainties throughout the economy and rapid changes are taking place in the business management environment. As such, the accuracy and promptness in corporate disclosure has become ever more important. Considering a surge in retail investors' participation in stock markets last year, the disclosure rules need to be improved to allow retail investors to more easily understand disclosure information while reducing filing burdens for companies. In addition, with growing significance of environmental, social and governance (ESG) factors and responsible investing, it is necessary to set up an appropriate regulatory environment.

### **PLANS FOR IMPROVEMENT**

#### **I. IMPROVE INVESTOR CONVENIENCE IN USING DISCLOSURE INFORMATION**

The required criteria for company disclosure reports and the categorization system will be changed and redundancy will be removed to help improve retail investors' understanding of disclosure information. An easy-to-understand information booklet will also be published for retail investors. In addition, the Data Analysis, Retrieval and Transfer (DART) System managed by the Financial Supervisory Service will be improved to make it more user-friendly with the introduction of more useful menu categories and enhanced search capabilities.

#### **II. REDUCE COMPLIANCE BURDENS FOR BUSINESSES**

Quarterly reports which have placed relatively heavy burdens on companies will be simplified to contain only key disclosure information, reducing the current requirement items by about forty percent. In addition, corporate filing burdens will be reduced for a greater number of smaller sized companies.<sup>1</sup>

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<sup>1</sup> Total assets of less than KRW100 billion (1,149 companies as of the end of 2019) → total assets of less than KRW100 billion or total sales of less than KRW50 billion (1,395 companies as of the end of 2019)

**III. PROMOTE ESG/RESPONSIBLE INVESTING**

The Korea Exchange will provide a guidance on ESG disclosure to promote voluntary disclosure of sustainable management reports by listed companies and gradually expand the mandatory disclosure of sustainable management reports to all KOSPI-listed companies from 2030.<sup>2</sup>

In addition, the progress in the implementation of the Korea stewardship code which was introduced in December 2016 will be reviewed to consider introducing revisions that will strengthen fiduciary duties related to ESG.

To improve the accountability of proxy advisory services, they will be required to open up more information regarding their codes of conduct, conflict of interest prevention and control measures, analytic capabilities, proof of professionalism and so on while the authorities will gradually expand the supervision and oversight over proxy advisory services.

**VI. CLOSE LOOPHOLES IN DISCLOSURE SYSTEM AND IMPROVE RULES ON PENALTIES**

The authorities will work to strengthen disclosure duties of listed tech companies for whom the listing requirements have been lowered considering their technological prowess. The disclosure duties will also be strengthened for foreign-based holding companies listed on KRX.

Furthermore, the authorities will work to improve relevant rules and regulations to boost the effectiveness and fairness of sanctions for noncompliance with disclosure rules.

**FURTHER PLANS**

The FSC will promptly implement the measures that require no legislative actions. In the meantime, the FSC will prepare amendments to the relevant legislation with a goal of submitting them to the National Assembly in the third quarter this year.

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For press inquiry, please contact Foreign Media Relations Team at [fsc\\_media@korea.kr](mailto:fsc_media@korea.kr).

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<sup>2</sup> Promote voluntary filing until 2025, require mandatory filing for companies of certain sizes from 2025 to 2030 and expand mandatory filing for all KOSPI-listed companies from 2030.