

FSC MEETS WITH INSTITUTIONAL INVESTORS TO PROMOTE ACTIVE PARTICIPATION IN THE CORPORATE VALUE-UP PROGRAM

- The meeting was attended by ten institutional investors including pension funds, asset managers, insurers and securities firms.
 - Key details of the Corporate Value-up Program included in the stewardship code for institutional investors.
 - Discussions held on establishing a new Korea value-up index and ensuring its effectiveness.
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The Financial Services Commission held a meeting with institutional investors on the Corporate Value-up Program chaired by FSC Vice Chairman Kim Soyoung on March 14. The meeting was attended by ten major institutional investors, including pension funds, asset managers, insurers, and securities firms, as well as officials from related organizations, such as the Korea Exchange, Financial Supervisory Service, Korea Institute of Corporate Governance and Sustainability, and Korea Capital Market Institute. At the meeting, officials held discussions on how the stewardship code for institutional investors will be updated to promote their role in the Corporate Value-up Program and developing a new Korea value-up index.

At the beginning of the meeting, Vice Chairman Kim delivered opening remarks, highlighting the three main principles behind the government's continuous push to end 'Korea discount'—(a) establishing a fair and transparent market order, (b) making Korea's capital market more accessible, and (c) promoting shareholder values in corporate management. In this regard, Vice Chairman Kim said that the Corporate Value-up Program is a part of the government's consistent efforts to upgrade our capital market with a focus on encouraging listed companies to make voluntary steps to make improvements and increase valuations. Since the stewardship code for institutional investors has been updated to specifically underscore their crucial role in the Corporate Value-up Program, Vice Chairman Kim urged institutional investors to more actively communicate with companies about the need and benefit of taking self-driven measures to boost corporate values. Regarding the development of a new Korea value-up index, Vice Chairman Kim said that authorities have been studying various cases from overseas and running simulations to ensure that the newly created benchmark index can be put to greater use by institutional investors.

The stewardship code for institutional investors contains seven specific principles (or guidelines) that need to be observed by institutional investors in their role as custodians of third-party assets on a comply-or-explain basis. Currently, the stewardship code is observed by some 222 institutional investors, including four major pension fund operators and 125 asset management firms. To encourage institutional investors to more actively communicate with companies about the need to take voluntary measures to enhance valuations, the stewardship code has been revised by Korea Institute of Corporate Governance and Sustainability to specifically require

institutional investors to monitor and check how companies are preparing, implementing, and communicating their own value-up plans with aims to boost valuations over a medium- to long-term horizon. Thus, the revised stewardship code establishes a ground upon which institutional investors are able to check whether the companies they plan to invest in have established their own corporate value-up plans or not and encourage them to take necessary steps if they have not been doing so.

The Korea value-up index is a new benchmark index currently being developed by the KRX. The newly developed index will be composed of companies that have outstanding valuations and those demonstrating improvement in their valuations. Companies with outstanding performance in their valuation enhancement efforts may be eligible to receive preferential treatment in being included in the value-up index. The KRX is currently examining various issues regarding the development of the value-up index. In close consultation with institutional investors, the KRX plans to finish up developing Korea value-up index by the third quarter of this year.

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