

Amendment of Corporate Governance Report Guidelines

The Korea Exchange (KRX) (Chairman, Jung, Ji-won) amended and published its "Guidelines for Corporate Governance Report" on March 31 (Tue).

(Rationale for revision) A thorough inspection* of all corporate reports submitted in 2019 indicated that, while overall reporting was done in a manner that followed the provisions of the Guidelines, there were shortcomings found in the reports created by some businesses, requiring corrections and supplementation of the Guidelines.

* Of the 209 companies (200 compulsory submissions, 9 voluntary submissions), excluding financial companies that disclosed their governance report using the format specified by the Financial Services Commission, a total inspection was conducted on the 170 non-financial companies.

In particular, amendments were made toward addressing the following situations: ① When the status of compliance with the key indicators and the contents of the text are inconsistent, ② when the description of the governance mechanism in place lacks further details, ③ when potential confusion arises due to unclear wording about what to input in line with the Guidelines or redundancies found with other sections of the Guidelines.

In addition, in response to the requests of a majority of the businesses surveyed that asked for sample reports to refer to, the Guidelines include separate examples to emulate and avoid by detailed principles for listed companies to look up when preparing this year's report.

(Amendment method) Specific and detailed entry criteria* have been presented for the 10 core principles that make up the existing Guidelines.

* (Before amendment) 23 detailed principles, 30 required entry items → (after amendment) 27 detailed principles, 60 required entry items

Assigning a classification number to required entry items is expected to prevent information input omissions and increase comparability between reports that will enhance user convenience.

Lastly, it reflects recent amendments to relevant laws, and further clarifies descriptions of unclear entry requirements.

(Main contents) Significantly strengthens information disclosure requirements related to activities of the board and individual directors, which are at the center of management activities, and elevates the level of information requirements related to auditors and external auditors.

In order to secure professionalism and diversity of the board of directors, it has been made mandatory to describe each individual director's expertise in detail, along with his/her gender, and whether or not he/she holds a concurrent position.

In relation to the appointment of directors, the scope of matters* that could infringe on shareholders' interests has been significantly expanded to include suspects of unfair trade practices under the Capital Markets Act.

* (Before amendment) A person who was convicted of embezzlement or misconduct in the past → (After amendment) A person who was convicted or alleged of embezzlement, misconduct, or unfair transactions in the past under the Capital Market Act

Reflecting the recent amendment of the Enforcement Decree of the Commercial Act, if there are long-tenured* outside directors present, the current status and reasons of such have been made mandatory to disclose.

* [Article 34-5 of the Enforcement Decree of the Commercial Act] More than 6 years of tenure at the company concerned or more than 9 years at the company's affiliates combined.

In addition, policies to support the independent activities of outside directors and the implementation of such policies or lack thereof have been made mandatory to describe separately in a strict manner.*

* The Guidelines explicitly specify that committee meetings within boards composed of only outside directors are excluded from regular and ad hoc meetings in which only outside directors participate.

Information disclosure requirements have been strengthened such that the compensation formula for outside directors, or whether or not the evaluation results have been taken into account before re-electing outside directors, etc, and accurate descriptions of the board activities of outside directors standing for re-election, will need to be clearly stated.

Lastly, the Guidelines have been improved to provide accurate information in regards to the scope of the board's authority for deliberation and resolution; if the auditor attended general meetings for shareholders; and if relevant information was provided* to external auditors in a timely fashion.

* Whether or not pre-audit financial statements have been submitted six weeks before the regular general shareholders' meeting was held.

(Support for listed companies) In relation to the COVID-19 outbreak, the deadline has been extended* for disclosure of corporate governance reports for businesses that have been approved by the Financial Services Commission for deadline extensions to submit audit and business reports.

* Extended deadline: July 15, 2020 (Tue) - 2 months beyond the extended audit and business report submission deadline

For any inquiry, please contact International Relations Team at world@krx.co.kr

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