ICGN Regional Conference, Seoul, hosted by KRX and KCGS
Welcome Remarks: Kerrie Waring, CEO, ICGN

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Welcome everyone to ICGN's Event kindly hosted by the Korea Stock Exchange and the Korea Institute of Corporate Governance and Sustainability. We are very grateful to our hosts and to our many event partners, sponsors, and speakers for their valuable support.

Korea is an important capital market for ICGN Members, many of whom are investors responsible for assets of around $70 trillion based mainly in Europe and North America, with growing representation in Asia, particularly in Korea where we are proud that KICGS, NPS, KIC, Sustinvest and many others are leading members.

We are delighted that over 400 people have joined us for today and it will be fascinating to reflect on how much has changed since ICGN last convened in Seoul in 2008. At that time, the global financial system was on the bridge of collapse due to excessive risk taking by financial institutions and the bursting of the US housing bubble. It led to a raft of new regulatory measures with the US Dodd Frank Act and capital and liquidity standards under Basel 3.

Today, we confront arguably even greater challenges to stabilise the global economy as we emerge from the Covid pandemic and now face hyper-inflation in many markets fuelled by food and energy shortages driven by Russia's continued war against Ukraine. This is within the context of already difficult relations between the US and China and our ongoing efforts to combat climate change. But where politics fail, markets prevail, and our first panel today will look at the role investors and companies can play in addressing these global crisis.

Before we get to that, I am pleased to announce a series of ICGN recommendations focused on Korea to provide a backbone to our discussions over the next two days and help guide regulators, companies, and stakeholders around matters of significance to domestic and overseas investors which may influence company voting, engagement, and investments.

We acknowledge the many positive reforms in corporate governance, investor stewardship, corporate reporting, and auditing, particularly over the past few years in Korea. Our intention today is to encourage continued momentum aligned with international acceptance, that effective corporate governance based on the principles of fairness, accountability, responsibility, and transparency directly contribute to successful companies and sustained value creation.

We have 20 recommendations, developed having considered the Korea Code of Best Practices for Corporate Governance, as well as ICGN's own Global Governance Principles – both of which were updated last year.

There are five over-arching themes:

1. **Firstly, with regards to corporate reporting,** we welcome that the Business Review is now published ahead of the AGM, even if this is just one week ahead. Releasing this four weeks in advance would be more meaningful for investor voting decision-making so we encourage continued progress.

   We also welcome mandatory disclosure of corporate governance reports for KOSPI listed companies. Additionally, we encourage disclosure of sustainability related information as required by the FSC as soon as possible, preferably before the mandated period to 2030.

2. **Secondly, we encourage better disclosure around capital allocation.** Board directors should regularly review the company's balance sheet and how cash positions, debt and equity are blended to achieve acceptable returns for shareholders, while maintaining a sufficient level of capitalisation and liquidity to provide a cushion against future risks.

3. **Third, we welcome FSC's announcement that it will protect shareholders by granting stock purchase claims to those who oppose split-offs** of a listed company though amendment of the Commercial Act which we understand will be implemented this year. ICGN encourages strengthened disclosure around the purpose for split-offs, expected benefits and any shareholder protection remedies.

   We also encourage the FSC to re-introduce the mandatory 'general offer' rule to further protect minority shareholders in receiving a fair price in takeover situations in relation to controlled companies. More generally, one of the distinctive features of Korean corporate governance is the dominance of controlling shareholders and therefore minority shareholder protections for extraordinary transactions are extremely important.

4. **Four concerns better disclosure around how CEO and executive pay** aligns fairly and effectively with the workforce and long-term company strategy. We understand that there is mandatory disclosure for individual executive remuneration above 500 million won in Korea. But investors want to understand the rationale for how pay is deemed appropriate in the context of the company's underlying performance, so our focus is not just on pay quantum but pay quality.

5. **And five concerns board effectiveness** focused on diversity policies and practices, independent director appointments, performance evaluation, and anti-corruption measures. We welcome the 'no single-gender' board stance in Korea and, while ICGN generally prefers a voluntary approach, we noted positively last year's introduction of the legal requirement for at least one female director on corporate boards. We encourage more effort towards recruiting women to managerial posts to enhance the pool of available candidates at Board level. Conducting recruitment efforts overseas can help with this as well as attracting foreign directors to strengthen international diversity.

In conclusion, fundamentally, corporate governance is the system by which companies are directed and controlled. Boards are responsible for promoting the long-term success and resilience of companies through effective governance, managerial oversight, strategic direction, and reporting. Investors are responsible for holding Boards to account for doing this through investee company monitoring, voting and engagement.

Ultimately both parties share a mutual responsibility to preserve and enhance long-term corporate value through good governance and stewardship practices, contributing to sustainable economies, societies, and the environment. Good governance is no longer a nice to have – it is a must have – and is imperative to ensure investor confidence, efficient capital allocation and effectively functioning markets.