

OPINION

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Corporate Governance Report Disclosure in Korea and Policy Implications

Korea introduced corporate governance report disclosure in 2017 in the form of voluntary disclosure. Since then, beginning in 2019, mandatory disclosure has been phased in for KOSPI-listed companies according to their asset size, and starting in 2026, the requirement will expand to all companies listed on the KOSPI market. Currently, companies disclose whether they comply with the ten key principles and fifteen key indicators, and if they do not comply, they must explain the reasons, following the “Comply or Explain” method.

Examining the compliance status of the key indicators shows that formal items with relatively low procedural and operational burdens exhibit high compliance rates, whereas items requiring substantive improvements—such as the appointment and operation of the board of directors—still show low compliance rates. Although overall compliance rates are improving, Korea still remains at a low rank in qualitative assessments, suggesting a persistent gap between formal compliance and substantive improvement. Given this, in order for corporate governance report disclosure to move beyond a mere reporting procedure and more effectively lead to substantive governance improvements, institutional improvements and policy efforts to enhance the quality of disclosure are needed.

Since 2019, corporate governance report disclosure has been made mandatory for KOSPI-listed companies, phased in according to asset size, and from 2026, the scope of mandatory disclosure will expand to all KOSPI-listed companies. This article examines the background and current state of the corporate governance report disclosure system, reviews the compliance rate of each key indicator, and provides policy implications necessary for ensuring that corporate governance report disclosure leads to substantive governance improvements.

* All opinions expressed in this paper represent the author’s personal views and thus should not be interpreted as Korea Capital Market Institute’s official position.

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Introduction of Corporate Governance Report Disclosure and Current Status

Globally, corporate governance is emphasized as a key factor for corporate sustainability, transparent and responsible management, and investor protection. In line with this, many countries have established institutional foundations—such as the creation of corporate governance principles and codes and the introduction of related disclosures—to improve corporate governance.

Korea is no exception to this global trend. Following the Asian Financial Crisis and based on IMF recommendations, Korea established the Corporate Governance Best Practice Code in 1999, and since then has continuously disclosed certain governance information—such as shareholder meeting operations and board composition—through annual business reports under the Commercial Act and the Capital Markets Act.¹⁾ However, institutional mechanisms requiring companies to systematically disclose whether they comply with each principle in the Best Practice Code were introduced later than in many other countries.²⁾

Amid increasing emphasis by international organizations such as the OECD and G20 on transparent governance and ESG disclosure, the need to establish governance aligned with international standards continued to be raised. With the adoption of the Stewardship Code in 2017, responsible investment activities by institutional investors expanded, and market demand for governance-related information grew significantly.

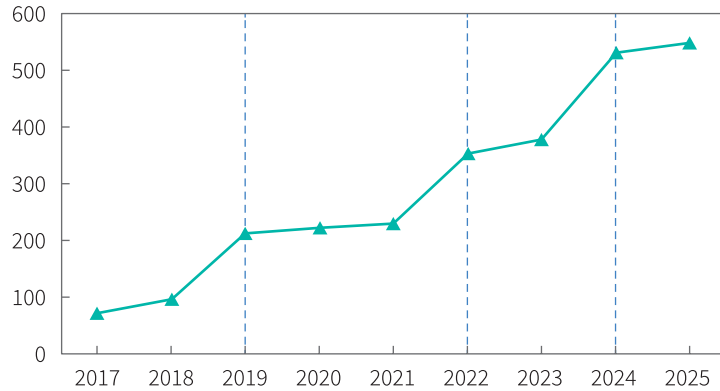
In this context, corporate governance report disclosure—requiring companies to disclose their overall compliance with corporate governance principles—was first introduced in 2017 as a voluntary disclosure.

However, due to concerns over low participation rates and poor disclosure quality, mandatory disclosure was introduced in 2019 for KOSPI-listed companies according to asset size. In 2019, companies with assets of 2 trillion KRW or more were included; in 2022, companies with assets of 1 trillion KRW or more; in 2024, companies with assets of 500 billion KRW or more; and from 2026, all KOSPI-listed firms will be required to disclose. <Figure 1> shows that the number of companies actually disclosing corporate governance reports increased significantly in 2019, 2022, and 2024 under these criteria.

1) In addition to business reports, corporate governance-related information is also disclosed in recent sustainability reports and value-up (corporate value enhancement) disclosures.

2) OECD Corporate Governance Factbook (2017)

Figure 1. The number of firms disclosing corporate governance report



Note: Drawn based on corporate governance reports disclosed on the Korea Exchange (KIND)

Corporate governance reports must disclose compliance with the ten key governance principles and corresponding detailed principles following the guidelines established by the Korea Exchange. The disclosure method follows the “Comply or Explain” system, which requires companies to state whether they comply with each principle and, if not, to explain the reason. The key principles largely cover shareholder rights, board functions and roles, and audit systems.

Compliance Status of Key Indicators

Korea’s corporate governance report currently requires the disclosure of compliance status not only with the ten key principles but also with fifteen key indicators in a table format. This table allows stakeholders to easily identify compliance with each indicator and provides quantitative information on compliance rates based on the number of complied items.

When calculating compliance rates for all companies that disclosed corporate governance reports in 2025, Table 1 shows the compliance rates for each key indicator.

The three indicators with the highest compliance rates were: (15) Establishment of procedures allowing the audit committee to access important management information (98%), (13) Existence of accounting or financial experts in the audit committee (89%), and (2) Implementation of electronic voting (82%). In contrast, the three lowest-compliance indicators were: (9) Adoption of cumulative voting (3%), (8) Whether an outside director is the board chair (14%), and (6) Establishment and operation of CEO succession policies (36%).

Table 1. Compliance rate of key indicators by total asset size

(unit: KRW)

Key Indicator	Total Asset Size			All (4)
	2 T above (1)	1T~2T (2)	0.5T~1T (3)	
① Notice of general meeting four weeks in advance	0.48	0.33	0.29	0.40
② Implementation of electronic voting	0.90	0.80	0.69	0.82
③ General meeting held other than the peak day	0.80	0.71	0.62	0.73
④ Provision of predictability regarding cash dividends	0.56	0.38	0.25	0.43
⑤ Dividend policy and dividend plans communicated to shareholders at least once a year	0.68	0.37	0.24	0.49
⑥ Establishment and operation of a CEO succession policy	0.52	0.27	0.16	0.36
⑦ Establishment and operation of internal control policies	0.91	0.70	0.59	0.78
⑧ The chairperson of the board is an outside director	0.22	0.09	0.05	0.14
⑨ Adoption of a cumulative voting system	0.04	0.02	0.03	0.03
⑩ Prevent the appointment of directors responsible for damaging corporate value or infringing shareholder rights	0.75	0.52	0.41	0.61
⑪ The board is not composed entirely of members of the same gender	0.80	0.33	0.28	0.55
⑫ Establishment of an independent internal audit department	0.52	0.50	0.41	0.49
⑬ Internal audit body includes accounting or financial experts	0.97	0.87	0.76	0.89
⑭ Internal audit body meets with external auditors at least once per quarter without management	0.84	0.61	0.34	0.65
⑮ Internal audit body has access to critical management information	1.00	0.98	0.96	0.98
Number of Firms	225	127	140	492

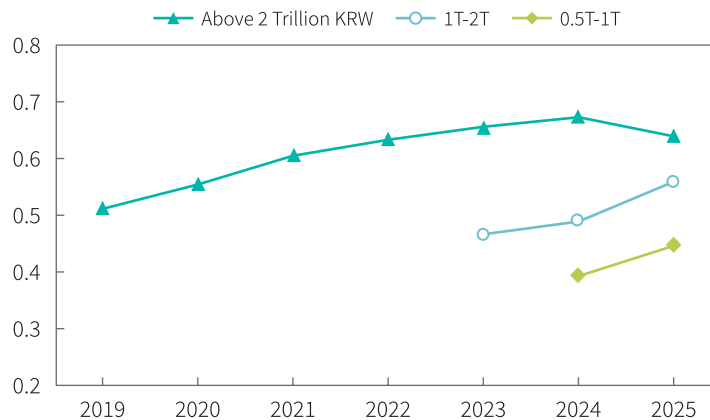
Note: Calculated using corporate governance reports disclosed on the Korea Exchange (KIND) as of 2025

Examining compliance differences by asset size shows that, except for indicator (9) adoption of cumulative voting, compliance rates tend to be higher for firms with larger asset size. The compliance rate gap between companies with assets of 2 trillion KRW or more and those with assets between 500 billion and 1 trillion KRW was largest for indicator (11) board not consisting of members of a single gender, indicator (14) audit committee meeting with an external

auditor without management present at least once per quarter, and indicator (5) notifying shareholders of dividend policies/plans at least once a year—showing gaps of 52%, 50%, and 44%, respectively.

<Figure 2> shows changes in compliance rates by company asset size since 2019, when mandatory disclosure began. It demonstrates that compliance rates are higher for firms with larger assets and that overall compliance rates have increased over time.³⁾

Figure 2. Changes in compliance rates with key indicators by firm asset size



Note: In 2024, there were changes to the key indicators; therefore, compliance rates are calculated using only the indicators that remained unchanged. Authors' calculations based on corporate governance reports disclosed on the KIND system.

Corporate governance principle compliance and substantive improvement

The overall improvement in compliance with key governance indicators is a positive development. However, in qualitative assessments, Korea's corporate governance still remains at a low level. For example, while Korea receives high ratings in quantitatively focused indicators such as the World Bank's Doing Business (WDB), it receives very low scores in qualitatively focused indicators such as the WEF Global Competitiveness Index (CGI).⁴⁾ Korea also ranks

3) The overall decline in the compliance rate of companies with assets of 2 trillion won or more in 2025 was not because firms that had previously complied well with the key indicators failed to follow the rules, but because the number of companies whose assets exceeded 2 trillion won increased significantly in 2025 (based on fiscal year 2024). In other words, the inclusion of newly added companies with assets below 2 trillion won—whose compliance rates were relatively low—led to a decrease in the overall average compliance rate. Meanwhile, an analysis of trends for 2024 limited to companies with assets of 2 trillion won or more confirmed that the overall increase in compliance rates continued.

4) Kim and Kang (2023), Analysis of causes of Korea discount, KCMF Issue report 23-05

8th among 12 major Asian countries in the Asia Corporate Governance Association (ACGA) rankings, where qualitative evaluation carries substantial weight.

The gap between compliance with governance principles (or indicators) and actual governance improvement can arise from several causes. First, even if compliance rates increase, this may reflect improvements mainly in formal indicators involving relatively low implementation burdens. Indeed, examining compliance rates for each indicator reveals that indicators focused on formal aspects—such as having procedures in place—show high compliance rates, whereas indicators requiring substantive structural changes—such as board appointment and operations—remain low. In other words, if quantitative and formal elements are satisfied first while more difficult structural improvements lag, overall compliance may rise while substantive governance improvement remains limited.

Second, discrepancies can occur when detailed principles or indicators themselves fail to adequately reflect substantive improvements. For example, the indicator “holding shareholder meetings outside of peak concentrated days,” which was introduced to alleviate meeting congestion, exhibits relatively high compliance.⁵⁾ However, in practice, more than 90% of regular shareholder meetings are still concentrated around March.

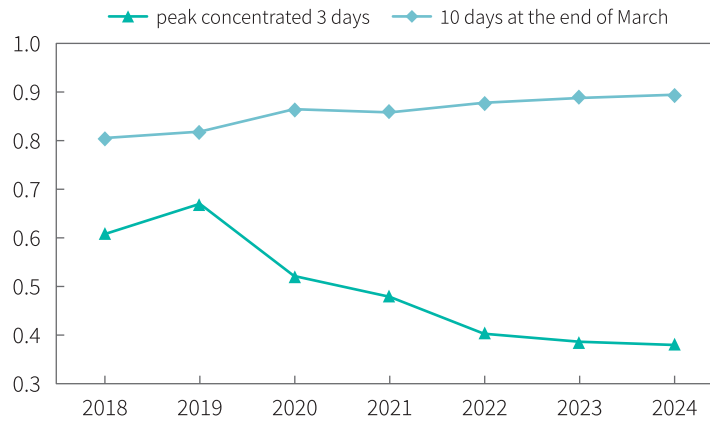
<Figure 3> shows that although the share of meetings held within the top three concentrated days decreased, concentration increased when measured over a ten-day (or seven-business-day) window. Thus, even with improved compliance, the intended substantive effect—dispersing shareholder meetings—remains limited. When indicators fail to capture substantive changes sufficiently, compliance alone cannot deliver meaningful improvements.

Third, compliance status may not always reflect substantive compliance. Because corporate governance reports operate on the “Comply or Explain” framework, companies can be deemed compliant even when they provide only minimal procedural measures or brief explanations, especially when compliance standards are ambiguous.

This may lead to cases where governance practices remain unchanged while disclosures indicate compliance, contributing to a gap between indicator compliance and actual governance improvement.

5) The Korea Listed Companies Association analyzes past statistics on shareholder meeting schedules and, based on the previous year’s meeting patterns, designates and announces three expected concentration days for shareholder meetings at the beginning of each year.

Figure 3. Distribution of shareholders' meeting dates by period



Note: Calculated using data collected via the DART API for companies listed on the KOSPI market

Implications and policy recommendations

As mandatory corporate governance report disclosure expands, the number of participating firms has increased and overall compliance with key indicators has improved. According to ACGA, Korea ranked 9th among 12 major Asian economies from 2016 to 2020 and rose to 8th in 2023. One contributing factor to this improvement was the revision of governance disclosure guidelines. This demonstrates that improving disclosure systems can enhance governance outcomes. Given that Korea continues to receive low scores in qualitative assessments, it is important to refine disclosure content and use the system effectively to encourage substantive governance improvement. The following improvement measures may be considered.

First, key indicators and detailed principles—i.e., the disclosure items—should be refined so they more accurately reflect substantive governance improvement and quality. This requires reorganizing items toward more concrete and outcome-oriented indicators that enable assessment of real changes. In particular, Korea’s disclosure criteria on items related to shareholder meetings and boards of directors remain insufficiently aligned with international standards.⁶⁾ Thus, it is necessary to revise the items to better reflect international benchmarks and market expectations.

6) ACGA, 2023, CG Watch 2023 – Dismantling the discount

Second, institutional incentives or mechanisms should be established to enhance the quality of disclosure so that compliance fosters real governance improvements. This includes requiring companies not only to state compliance status but also to provide concrete explanations for the basis of compliance and persuasive reasons for non-compliance.⁷⁾ Such measures can improve the effectiveness of disclosure. Strengthening supervisory mechanisms to periodically review disclosure quality can simultaneously enhance the quality of corporate governance reporting and more effectively drive substantive governance improvement through disclosure.

Corporate governance disclosure can serve as an important institutional device that enhances transparency and accountability within corporate decision-making structures, going beyond mere reporting. As mandatory disclosure expands to all KOSPI-listed firms in 2026, efforts are needed to refine the disclosure items and standards to maximize the effectiveness of the system.

7) For example, the United Kingdom clearly requires high-quality reporting in corporate governance disclosure that includes not only whether the company complies, but also the method of application, substantive implementation, and background explanations, and even in cases of non-compliance, companies are required to provide detailed explanations of the reasons, the expected impact, and the point in time at which compliance is expected to be possible (FRC, 2021, Improving the quality of ‘comply or explain’ reporting). In the case of Japan, the Tokyo Stock Exchange presents specific examples of insufficient explanations (JPX, 2023, 建設的な対話に資する「エクस्पライン」のポイント・事例について) and regularly reviews disclosure content.