26 June 2026

Financial Services Commission (FSC)
The Stewardship Code Council
Korea Stewardship Code Center, Korea Institute of Corporate Governance and Sustainability (KCGS)
Seoul, Republic of Korea

Dear Sir/Madam,

Response to the Public Consultation on the Proposed Amendment to the Korea Stewardship Code

The Asian Corporate Governance Association (ACGA) appreciates the opportunity to comment on the proposed amendment to the Korea Stewardship Code (the "Code"). ACGA is an independent, non-profit membership organization representing institutional investors with over US$40 trillion in assets under management founded in 1999 and based in Hong Kong. We work with investors, companies and regulators to advance effective corporate governance and investor stewardship across Asia, and our members include many of the world's leading institutional investors with a long-term interest in the Korean market.

Introduced in December 2016 as a voluntary code, the Korea Stewardship Code is undergoing its first comprehensive revision in nearly a decade. We recognize that this revision is intended to strengthen the Code's effectiveness through the measures jointly announced on 29 December 2025 by the Stewardship Code Council, Korea Institute of Corporate Governance and Sustainability (KCGS) and relevant authorities including the Financial Services Commission (FSC).[1] Over the nine years to December 2025, 249 institutional investors have become signatories to the Code, including four public Korean pension funds and 63 asset management companies. These are encouraging signs of a maturing stewardship culture. ACGA and its members are generally supportive of the objectives of the amendment, and we respectfully suggest the additional constructive comments below.

1. Welcoming the first revision of the Code

The Code had not been revised since its introduction in 2016, even as peers such as the United Kingdom and Japan repeatedly updated their stewardship codes to reflect evolving investor practices and market expectations. We therefore welcome this revision as an important and overdue step. We also appreciate the newly formalized three-year review cycle. A code retains its authority only if it keeps pace with market practice, and we encourage KCGS and the Stewardship Council to honor this commitment consistently in the years ahead.

2. Amendments we support

We are supportive of the direction and substance of the amendment. In particular, we welcome:

- The reflection in the preamble of the amended Commercial Act duty of loyalty, under which directors act for the benefit of the company and its shareholders. This aligns the Code with Korea's reformed company law and reinforces board accountability to all shareholders, which is central to protecting minority investors in the capital transactions where controlling and minority interests can diverge;

[1] Financial Services Commission, "Promoting Measures to Strengthen the Effectiveness of the Stewardship Code", 29 December 2025 (joint announcement with the Stewardship Code Council, KCGS and relevant ministries).

- The integration of sustainability, including ESG factors, into the definition and conduct of stewardship (Preamble; Guidance 1-1 and 3-2). Material environmental, social and governance factors are widely recognised as financially relevant to long-term value, and their inclusion brings the Code into line with international practice such as the UK and Japanese codes;

- The recognition that monitoring and engagement outcomes may inform investment decisions, while preserving investor discretion (Principle 3; Guidance 3-5). This gives the Code practical influence, since investee companies take account of engagements that can affect capital allocation, while the preservation of discretion respects differing investment mandates;

- The extension of the Code's voluntary application beyond domestic listed equities to bonds, infrastructure, real estate, unlisted equities and overseas assets. Stewardship responsibilities run across the whole portfolio, and a broader scope reflects how institutional investors actually allocate capital and exercise influence;

- The explicit acknowledgement of collaborative engagement (Guidance 4-5). Collaboration can raise the effectiveness and efficiency of stewardship, particularly on issues that no single investor can address alone, and it is especially valuable for smaller and mid-sized managers who may struggle to secure engagement individually;

- The disclosed internal escalation framework, and the recognition of divestment as a possible end point where this serves beneficiaries' interests (Principle 4; Guidance 4-3). A transparent escalation path makes engagement credible and gives investee companies clarity on how unresolved concerns will be pursued;

- The strengthened expectations on the selection, management and oversight of asset managers and service providers (Guidance 1-6 and 7-4). Much stewardship is delegated to, or supported by, third parties, and these provisions allow accountability to travel down the investment chain and give asset owners a clear basis for setting expectations of their managers;

- The more meaningful focus, in proxy-advisor disclosure, on how investors review recommendations rather than simply the extent of reliance (Guidance 5-8). Disclosing the review process is operationally meaningful and keeps responsibility for voting decisions with the investor, where it belongs (subject to our comment at 4.7 below on also retaining disclosure of the extent of reliance);

- The strengthened securities-lending and recall provisions that preserve the ability to vote (Guidance 5-10). Ensuring that lent shares can be recalled to vote on material matters protects the integrity of the voting decision and prevents stewardship from being undermined by lending arrangements; and

3. The consultation process: accessibility for overseas investors

Although we welcome the substance of the amendment and the opportunity to comment on the draft amendments, we wish to highlight investor concerns regarding the consultation process, which has not been readily accessible to overseas institutional investors, an important constituency for the Korean market:

- Whilst we appreciate the provision of an unofficial translation, we note that there was no official English-language version of the consultation notice. The Korea Stewardship Code Centre’s website did not include an English announcement, and English-language materials had to be requested separately. This made it challenging for many foreign investors to participate.

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- We note that foreign institutional investors are not represented in the public hearings on the Code or on the Stewardship Code Council.
- The consultation window of approximately 18 days (8 to 26 June 2026) is considered relatively short for meaningful international input, particularly where members need to reference translated materials and consult across jurisdictions.

For context, this is markedly shorter than comparable international stewardship-code consultations.[2][3]

Consultation	Consultation Period (working days)
Korea Stewardship Code amendment (KCGS, 2026)	**18 days (2.5 weeks)**
Japan Stewardship Code, third revision (FSA, 2025)	30 days (just over 4 weeks)
UK Stewardship Code 2026 (FRC)	Approx. 14 weeks

We understand the summer holiday period contributed to the shortening consultation timeline. We would respectfully suggest that in this circumstance international good practice typically calls for a longer consultation window rather than a shorter one.

We therefore acknowledge and welcome KCGS's stated intention in Stewardship Code Revision Briefing Call hosted on June 23 to allow a consultation period of at least one month for future revisions. We encourage KCGS to institutionalize this commitment as standard practice, together with routine English-language notices and materials and advance public scheduling of consultations, so that the development of the Code carries the confidence of the international investor community and provides for greater feedback.

4. Areas where the Codes and Guidelines could be further strengthened

4.1 A clear and constructive implementation-review framework

We welcome the implementation review framework introduced under the December 2025 measures, including the twelve review items, the Council's final review and approval, and the publication of a consolidated report enabling comparison across participants. We encourage KCGS and the Council to build on this in three respects, as follows.

1. First, on the consequences of the review process: the measures currently leave open what a low standard of disclosure or implementation means for a participant's status. We encourage KCGS to set out, transparently and predictably, how review outcomes bear on continued participation, so that expectations are clear to signatories and credible to the market.
2. Second, on constructive feedback: rather than focusing on compliance alone, we encourage KCGS to publish review themes and examples of good practice, as the UK Financial Reporting Council does, so that signatories can improve the quality of their reporting over successive cycles. This reflects a recommendation in ACGA's recent special report published in March 2026, *Stewardship in Asia: Frameworks, codes and practices*,[4] that regulators and issuers of stewardship codes should establish

[2] Japan Financial Services Agency, draft revisions to Japan's Stewardship Code for public consultation, 21 March to 20 April 2025.

[3] UK Financial Reporting Council, UK Stewardship Code 2026 consultation, 11 November 2024 to 19 February 2025.

[4] ACGA Stewardship in Asia report

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robust monitoring, review and feedback mechanisms for stewardship reporting. As our report observed, Korea has until now lacked a formal supervisory mechanism or outcome-based assessment of the quality of stewardship implementation.

3. Third, on reporting expectations: we would welcome greater clarity and non- prescriptive guidance on how signatories are expected to report engagement outcomes, including the escalation steps taken where engagement is unsuccessful, taking into account different strategies and approaches (Guidance 4-3). Where appropriate, we would encourage signatories to report on their board-level engagement, including the number of meetings held with independent directors. Direct dialogue with independent directors remains an important but underdeveloped channel in Korea, and reporting on it would provide a meaningful indicator of the depth and seriousness of a signatory's stewardship. This reflects a recommendation in ACGA's Stewardship in Asia report, that stewardship teams engage with independent non-executive directors and report on how many such meetings were held.

4.2 Oversight architecture and the governance of the Council

We endorse the oversight architecture set out in the amendment and the December 2025 measures, under which the KCGS Stewardship Code Center conducts the practical implementation review, the Stewardship Code Council undertakes final review and approval, and policy recommendations are conveyed to the FSC. We offer four observations.

1. Regarding independence and conflicts of interest, we welcome KCGS’s commitment to separate, through information and personnel barriers, the department supporting the Council from those providing proxy-advisory services. Given that KCGS administers the Code, receives reports and supports monitoring while also being a service-provider signatory, robust and visible safeguards of this kind are essential to market confidence, and we encourage KCGS to maintain and disclose them.

2. With regard to the composition of the Council, we encourage the KCGS to disclose the Council’s appointment process and decision-making procedures, and to ensure an appropriate balance of asset owners, asset managers and other stakeholders, including both Korean and international investor perspectives, with clear conflict-of-interest and recusal arrangements.

3. As the review’s scope expands in phases from asset managers to asset owners, we encourage KCGS to ensure the Center is resourced commensurately so that reviews remain rigorous and timely.

4. Finally, on the standing of the Code, we would observe that a more visible leadership role for the FSC would lend the Code greater authority: in the United Kingdom and Japan, strong regulatory backing has supported high levels of participation, and a clear signal of official support in Korea would, in our view, similarly encourage broader uptake.

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4.3 Resolving legal uncertainty on collaborative engagement

We strongly welcome the explicit recognition of collaborative engagement in Guidance 4-5, which brings the Code closer to international best practice and is particularly valuable for smaller and mid-sized asset managers. For this provision to be applied in practice, investors need confidence that legitimate collaborative stewardship will not give rise to unintended regulatory consequences, in particular around the large-shareholding (5%) reporting regime and the classification of joint holders.

We recognize that these rules sit within the Financial Investment Services and Capital Markets Act rather than the Code itself and are therefore not matters the Code can resolve. We would nevertheless encourage KCGS and the Council, through their channels for conveying policy recommendations to the FSC and other authorities, to support efforts to provide greater legal certainty for collaborative stewardship. This is a priority ACGA has emphasized more broadly. In our March 2026 report, *Stewardship in Asia,* we recommended that stewardship codes be supported by complementary regulation, including safe harbors for collective engagement, and noted that stronger provisions signaling regulatory support for collaborative engagement are needed to address the concentrated ownership structures common across Asia, including Korea.

International experience is directly instructive. In Japan, the Financial Services Agency has progressively clarified, including through Large Shareholding Report Q&As, how the “joint holder” concept applies to investors engaging collectively with portfolio companies. Recent amendments to the Financial Instruments and Exchange Act, and related Cabinet Office Orders and Q&As, have effectively introduced an exemption under which investors meeting specified conditions are not deemed “substantive joint holders” when engaging collaboratively. In the United Kingdom, the Takeover Panel and the Financial Conduct Authority have clarified, through guidance and practice statements, that collective engagement to raise legitimate governance concerns does not, of itself, amount to acting in concert. In both jurisdictions, regulators have sought to make clear that normal collaborative engagement and the exercise of voting rights, without an agreement to seek control, do not, of themselves, cause investors to be treated as acting in concert or trigger additional large-shareholder obligations. Korea currently lags behind these peers, and the Japanese model in particular is directly applicable. The forthcoming guidelines and legal-interpretation compendium expected in the second half of 2026, as mentioned in the Stewardship Code Revision Briefing Call, may offer a suitable vehicle for such interpretive clarity, within the bounds of existing law.

4.4 Implementation guidance for the directors’ duty of loyalty

We strongly support the reflection in the preamble of the amended Commercial Act duty of loyalty, under which directors act for the benefit of the company and its shareholders. ACGA has long advocated for this reform as a means of protecting the interests of all shareholders, particularly in capital transactions where the interests of controlling and minority shareholders may diverge. We note, however, that practical guidance on how the duty is to be monitored and fulfilled does not yet exist beyond the context of mergers and acquisitions. We encourage KCGS, working with the Ministry of Justice and other authorities, to develop clear, practical guidance. ACGA would be pleased to contribute the regional and international perspectives of its members to such an initiative.

4.5 Conflicts of interest at affiliated managers

Principle 2 and Guideline 1-6 address conflicts of interest in general terms. In the Korean market, a particular and material conflict arises where an asset manager is affiliated with a larger business group and votes or engages on resolutions involving its parent group, or companies with which the group has business relationships. ACGA's *Stewardship in Asia* report identifies the management of conflicts of interest as one of the core areas assessed in Korea's implementation review, and points to the concentrated ownership structures that make such conflicts especially material in this market. Given the prevalence of such affiliations, we advocate that the Code should address these conflicts more specifically.

In particular, signatories could be expected to disclose conflicts and how they were resolved, and to whether they vote independently on resolutions involving their affiliated group, or otherwise to disclose the reasons where they do not. Japan's 2020 Stewardship Code revision addressed comparable conflicts among group-affiliated managers, and the United Kingdom and the European Union require similar disclosures. A comparable approach would strengthen confidence in the integrity of stewardship in Korea.

4.6 Disclosure quality and financial materiality

We support a disclosure framework that continues to strengthen over time, and we welcome KCGS's view that the proposed disclosure format represents a minimum standard rather than a ceiling, and that genuinely proprietary information need not be disclosed. As the framework develops, we would encourage two refinements: first, framing the consideration of sustainability around financial materiality, which both clarifies the expectation and supports commitment across a diverse range of investors; and second, considering language such as "governance and sustainability" where it would help a broader set of signatories engage with the Code's expectations.

4.7 Disclosure on proxy advisory service

Guideline 5-8 revises the expectation on the use of proxy advisers, moving from disclosure of the extent of an investor's reliance on a provider's recommendations to disclosure of the process used to review them. We welcome the clearer focus on the review process, which is operationally meaningful and keeps responsibility for voting decisions with the investor. We would, however, caution against allowing this to reduce overall transparency: the degree to which an investor relies on proxy-adviser recommendations remains useful information for clients and beneficiaries, and the UK Stewardship Code, the EU Shareholder Rights Directive II and Japan's Stewardship Code each point towards greater, not lesser, transparency in this area. We therefore recommend that signatories continue to disclose the extent of their reliance on proxy advisers alongside their review process, so that the revision strengthens rather than dilutes current practice.

4.8 System-level risks and engagement with policymakers

We encourage the development of the Code over time to recognize that stewardship extends beyond engagement with individual investee companies. Market-wide and system-level risks, together with the legal, regulatory and market-infrastructure frameworks within which companies operate, can affect the long-term interests of beneficiaries across entire portfolios, in ways that diversified, long-term investors cannot address through portfolio construction alone. Stewardship may therefore include constructive engagement with policymakers, regulators and standard setters. This is reflected in the UK Stewardship Code and the ICGN Global Stewardship Principles, and we suggest it as a valuable direction for the Council's future review cycles.

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4.9 Recognizing equivalent reporting for overseas signatories

As an important means of supporting overseas participation, we encourage KCGS and the Council to make explicit how the annual reporting obligation to KCGS (Guidance 6-4) applies to overseas investors and to signatories that already report under comparable international frameworks, such as the UK Stewardship Code, Japan's Stewardship Code or the Principles for Responsible Investment. Confirming that equivalent reporting can satisfy the requirement would remove unnecessary duplication for globally invested signatories and lower the barrier to participation by international investors, consistent with the broader goal of deepening the Code's market base.

4.10 Asset-class-specific guidance as the Code's scope broadens

We welcome the extension of the Code's scope to asset classes beyond domestic listed equity. Because the levers of stewardship, that is the tools, escalation routes and rights available, differ across fixed income, private markets and real assets, signatories would benefit from practical, asset-class-specific guidance, with worked examples, as the broadened scope beds in. We suggest this as an early area of focus for the Council, which ACGA would be happy to support.

4.11 Asset owners' oversight of asset managers

The effectiveness of the Code depends significantly on asset owners, who sit at the top of the investment chain and shape the behavior of the managers they appoint. We welcome the recognition of this in Guideline 1-6 and in the December 2025 measures, which include the oversight of external managers among the review items for asset owners. We encourage the Code to articulate the asset owner's responsibility more fully: asset owners should set clear stewardship expectations of their managers at the point of selection, monitor and evaluate how those expectations are met, and provide feedback through the life of the mandate. As ACGA observed in its *tewardship in Asia* report, the markets with the most developed stewardship ecosystems, such as Australia and Japan, are those in which asset owners actively set expectations for their external managers and thereby foster a broader stewardship community. Strengthening asset owner role would reinforce the quality of stewardship across the whole market.

4.12 Stewardship and the Value-up programme

Finally, we welcome the understanding of the Code as supporting the Corporate Value-up Programme: institutional investors exercising effective stewardship are a natural complement to companies' own value-enhancement efforts. We are encouraged that KCGS is exploring, potentially with Korea Exchange, incentives for institutions that demonstrate strong stewardship, and we support the development of concrete, well-designed incentives of this kind.

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Conclusion

ACGA commends KCGS, the Stewardship Code Council and the relevant authorities for a well-judged and timely revision of the Code. Our comments are offered in a constructive spirit and in the hope that Korea's stewardship ecosystem to take root and operate effectively through market mechanisms, as it increasingly does in markets such as Japan. As ACGA has observed, the stewardship ecosystem is most developed in markets such as Australia and Japan, where the influence of asset owners in setting expectations for their external managers has fostered a broader stewardship community, with momentum now building in Korea. The Stewardship Code, however, is only one part of that ecosystem and its effect ultimately depends on practice. That outcome depends on broad market participation, including more influential asset owners and managers becoming signatories and the Code carrying real weight in the selection and oversight of managers. This in turn depends on the authority and clarity of the Code itself. Strengthening the Code's clarity, the credibility of its oversight and its standing in the market is the surest route to a self-sustaining, market-led stewardship culture.

We would be pleased to discuss any of these points further. Thank you again for the opportunity to share our perspectives on the Korea Stewardship Code.

Yours sincerely,

Amar Gill
Secretary General

Helena Fung
Head of Research & Advocacy

Yura Ahn
Head of Korea Research

ASIAN CORPORATE GOVERNANCE ASSOCIATION
18th Floor, Wilson House, 19-27 Wyndham Street, Central, Hong Kong Tel 852 2160 1788 Fax 852 2147 3818