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The Code of Best Practices for Corporate Governance

August 2021



Contents



I . Preamble	2
II . Board Leadership	6
III . Shareholder Rights Protection.....	27
IV . Auditing	34
V . Communication with Shareholders & Stakeholders.....	44
VI . Reference	50

KCGS changed its name in September 2022 from Korea Corporate Governance Service to Korea Institute of Corporate Governance and Sustainability. The Korean name was also changed, but the English acronym (KCGS) remains unchanged. Please note that the cover page of this publication has been amended to reflect the new name.

- (Before) Korea Corporate Governance Service (KCGS)
- (After) Korea Institute of Corporate Governance and Sustainability (KCGS)

I. Preamble

Background

Corporations are the entities that create new economic value. Therefore, the competitiveness of businesses is crucial in determining the competitiveness of a country. As such, countries the world over are in pursuit of introducing competitive measures and practices according to international compatibility. Such measures include liberalizing capital movement and increasing the interaction between states to raise managerial efficiency, and hence, the competitiveness of corporations of their respective nationality.

With the dawning of a new millennium, Korean corporations must also take progressive and proactive measures towards meeting the global trend to survive international competition. A good corporate governance system is a major factor in making investment decisions in the globalized capital market. For corporations to raise long-term funds consistently, a governance structure aligned with global standards is necessary.

In response to these demands of the present era, this Code of Best Practices for Corporate Governance (“Code”) of Korea is published to present a direction for better corporate governance that will render our companies more credible, domestically and internationally, and enhance the transparency and efficiency of management.

Purpose

The purpose of the Code is to maximize corporate value by enhancing the transparency and efficiency of corporations for the future.

To gain the trust of shareholders and other stakeholders, corporations must operate in a transparent and responsible way. Based on such corporate transparency and managerial responsibility, a management system that promotes creative and progressive entrepreneurship must be established.

A corporation has relationships with diverse stakeholders. Corporations must reduce the burden of cost of mediating their interests; this must be achieved through rational and fair means to strengthen the corporate competitiveness. Also, for a corporation’s long-term development, its

members should make every effort to become socially responsible under a strict sense of morality.

Contents and Structure of the Code

Korea Institute of Corporate Governance and Sustainability (KCGS) has fully attempted to take into consideration the unique business circumstances faced by Korean corporations, and also to include in the Code internationally accepted principles and standards suggesting best practices for corporations. Also, KCGS respects the demands of the present laws and decrees while simultaneously providing a desirable corporate governance model from a future-oriented perspective.

The contents of the Code consist of Preamble and four sections that are Board Leadership, Shareholder Rights Protection, Auditing, and Communication with Shareholder and Stakeholder.

Application of the Code

This Code applies to listed companies and other public companies. However, it is strongly advisable for non-public enterprises to also comply with the Code to the extent applicable.

The circumstances surrounding each corporation are different from others and are also continuously changing; therefore, a corporate governance system should be flexible and elastic. Corporations should, with the Code as its basis, voluntarily plan and operate their own corporate governance system and continuously upgrade it with ongoing evaluations. This Code should also be reviewed regularly according to changing circumstances.

Background for the Second Revision of the Code

The Code published in September 1999 and revised in February 2003 has served as a benchmark for the revision of laws and regulations relating to corporate governance. Through the voluntary efforts of the corporations, which used the Code as a guiding principle, and all spheres of social activities, the investor confidence and management transparency of the corporations have improved significantly, and the market participants' interest in corporate governance has grown substantially.

The revision of the Code, which has made such a significant contribution, stemmed from the changing circumstances of corporate governance, which set off the on-going global discussions, and the reform of governance systems in many countries.

Over the years, there have been regulatory reforms and some corporations voluntarily introduced changes in their corporate governance system, and it was recognized that the existing Code was somewhat inadequate in outlining the course of actions required for improving corporate governance. It has also been pointed out that the investment risks associated with poor corporate governance remain as one of the main causes that keep the Korean stocks undervalued. Then, the 2008 global financial crisis served as an impetus for many countries to introduce new laws and regulations for the reform of corporate governance systems and for the capital market regulators to strengthen relevant regulations.

Accordingly, KCGS amended the Code in order to make it more realistic, particularly in the context of the Korean situation, and compatible with global standards. In the future, KCGS will make continuous efforts to update and enhance the Code.

Background for the Third Revision of the Code

Through the previous two revisions of the Code, KCGS strived to keep up with the global standards and relevant regulatory improvements. A third revision of the Code was inevitable, however, amid regulatory enhancements in the domestic market as well as changing global trends since the second revision in 2016.

The new Code places more emphasis on the roles and responsibilities of the leadership. Specifically, the Code suggests the board take the initiative in pursuing sustainability and perform its duties and responsibilities more actively. Such board-driven management focused on ESG includes adding sustainability review in management strategy, risk management, and compensation policy, among others, and communicating with shareholders and other stakeholders proactively.

Another feature of the latest Code is an increased focus on the roles and responsibilities of the board in member firms belonging to a business group. In this context, the Code recommends that the board discharge their decision-making and supervisory duties in a direction that maintains the company's long-term success and properly protects the interest of all.

The Code also touches upon the management succession plan, one of the critical governance issues unique to Korean companies to raise predictability and transparency of the management of the company. Management succession will remain a crucial governance issue in the coming decade as it had been over the past ten years, a good reason why the issue needs guidance.

Since the dawn of the 21st century, corporate governance has been one of the main areas of interest in management and investment activities in Korea and there have been some improvements. It still has a way to go until desirable corporate governance practices firmly take root, and hence, continued interest in these areas and ongoing improvements are necessary. In case of concrete developments in the international discussion about standardized frameworks of non-financial reporting, KCGS will move proactively, updating and enhancing the Code.

II. Board Leadership

1. Roles and Responsibilities of the Board of Directors

1.1 The board of directors should create shareholder value and contribute to the sustainable growth of the corporation for the mid-to-long-term enhancement of the corporate value.

(Sustainability Review) The board of directors (“board”) should review the sustainability in business operations and managerial processes recognizing the fact that cooperation with stakeholders based on respect and trust benefits the corporation over the long term.

(Cooperation with Stakeholders for Sustainable Growth) The board should strive to build and maintain a partnership with various stakeholders, including shareholders, employees, customers, suppliers, creditors, and the local community, based on the full recognition that the corporation’s sustainable and qualitative growth and long-term corporate value enhancement are made possible by the resources and contribution provided by the stakeholders. Also, the board is expected to take an appropriate and prompt remedial measure if any stakeholder rights prescribed in the law or contract are breached.

1.2 The board and management should establish the goal and management strategy of the corporation to promote sustainable growth and mid-to-long-term value enhancement and improve profitability and capital efficiency. The board and management will also exercise leadership to create a corporate culture that pursues sustainability.

(Establishing and Reviewing Corporate Goal and Strategic Direction) The board is responsible for establishing the goal and strategic direction of the corporation and reviewing them to enhance the corporate value over the long term. The board is expected to have a constructive discussion about major management strategies and plans, ensuring key management decisions are aligned with the strategic direction of the corporation.

(ESG Risk Management) The board will recognize the sustainability-related tasks as a critical risk management matter and take progressive and proactive measures. It is recommended that the board and management consider environmental and socially responsible management policies in allocating resources and capital (when reviewing business portfolios and investment plans concerning fixed

assets, R&D, and human resources and making decisions on M&As and investment assets allocation).

(Creating Corporate Culture Pursuing Sustainability) The board should endeavor to foster a corporate culture that pursues sustainability. The board is also expected to monitor and review whether the purpose and values of the corporation as well as the managerial strategy, policy, and practices, which are based on sustainability, align with the corporate culture.

1.3 The board has the overall authority over corporate management and performs the decision-making and supervisory functions for the corporation.

(Board's Decision-making and Supervisory Functions) The board is central to the management and operation of a corporation. Accordingly, a board, which functions effectively and efficiently, is essential for the containment and monitoring of self-serving management practices by the executives or controlling shareholders, as well as for the prevention of corporate insolvency. The following are the decision-making and supervisory roles the board should carry out:

〈Major Roles〉

- Establishing business goals and strategies;
- Reviewing accounting transparency and sustainability;
- Appointing/dismissing and supervising management members;
- Assessing management performance and determining compensation level; and
- Establishing policies to improve ESG practices and others

〈Specific Roles〉

- Approving business plans and budgets;
- Approving large capital expenditure;
- Approving large borrowing and payment guarantees;
- Approval of provision of large collateral and lending;
- Disposition and transfer of important assets;
- Approval of material matters relating to M&As;
- Approval of establishment, relocation, or closure of business offices;
- Supervision of compliance with laws, regulations, and codes of conduct and ethics;
- CEO succession planning, and nurturing and evaluating successor candidates;
- Supervising related-party transactions and self-dealings;

- Supervising accounting and financial reporting systems;
- Supervising risk management and financial control;
- Establishing tax strategy and managing tax risk;
- Supervising disclosure of corporate information; and
- Evaluating and improving the effectiveness of corporate governance systems and others

(Stipulating the Board’s Role and Authority) It is necessary to clearly state the board’s roles and responsibilities, particularly with regard to corporate decision-making and management supervision. The matters that require the board’s deliberation and approval should be prescribed in the corporation’s articles of incorporation.

1.4 The board has the duty to protect the interest of minority shareholders from any related-party transactions and self-dealings that could unfairly benefit corporate insiders such as managers or controlling shareholders.

(Prohibition of Dealings with Conflicting Interests) Directors, management, and shareholders should not engage in related-party transactions or self-dealings in pursuit of private benefit. A related-party transaction refers to a dealing with an affiliate, among others. A self-dealing means a transaction to which a director, a management member, or a shareholder is a party.

(Assuring Fairness in Transactions with Potential Conflicting Interests) Any decision-making significantly affecting the interest of the corporation and all shareholders needs to undergo due procedure, such as the merger and division of an affiliate and capital transaction between affiliates. The fairness of the specific details of a transaction should also be assured in a substantiated manner according to fair criteria.

(Board’s Supervision of Related-Party Transactions) The board should have an internal control about related-party transactions and self-dealings and supervise them, disclosing the details of such transactions as per a fair procedure. The board is expected to record in the minutes of the proceedings the grounds for their judgment of procedural legitimacy of a related-party transaction or self-dealing and the fairness concerning the terms and conditions of such transactions. The board is also encouraged to disclose the basis of their judgment concerning a transaction with potentially conflicting interests.

1.5 It is recommended that the board prepare and operate an internal control and risk management

system for managing risk in a structured way.

(Need for Risk Management) Risk management is increasingly important amid the growing likelihood of uncertain and unpredictable risks, such as a global financial crisis and a pandemic caused by a new virus. For their very existence, corporations should spare no effort to manage risk, including non-financial ESG risk.

(Delegation of Risk Management Duty to a Board Committee) For reasonable and systematic internal control and risk management, it is recommended that the board establish a risk management committee as a sub-committee of the board. Depending on the specific circumstances of a corporation, the risk management duties may be delegated to an independent and specialized committee within the board, such as the audit committee that is comparable to the risk management committee.

(Risk Management Resources) Corporations will make sure that risk management activities are conducted in a systematic manner by assigning dedicated resources and designating a manager in charge.

(Board Responsibility for Internal Control) The board will drive the expansion of a corporate culture that places emphasis on internal control. The board has the ultimate responsibility for internal control such as for building an effective internal control system and determining the fundamental direction and policy for the operation of an internal control system.

(Risk Management and Internal Control System Review) The board needs to carry out an annual review of the corporation's risk management and internal control system and make available the details.

1.6 It is recommended that the board prepare and operate a policy on the succession of the chief executive officer (CEO). The policy should include the matters related to the CEO succession in an emergency, in particular.

(Board Responsibility for CEO Succession System) The board should set up a system to identify and nurture talents who will become top executives, including the CEO, and prepare the company for the retirement and aging of the CEO and senior management and other emergencies. CEO succession is one of the key roles of the board to prevent CEO risk. The CEO, in particular, has the responsibility to nurture the next CEO candidates.

(Management Succession Policy) It is desirable that the board prepares an internal policy concerning CEO succession. The policy needs to specify the lead-time for each task, the principal, and the related procedures. The matters to be included in the CEO succession policy are as follows:

- Establishing and updating the management succession plan;
- Minimum qualifications of the CEO;
- The reason for the commencement of the CEO succession process and when to decide the commencement;
- CEO candidate nomination process and management succession procedure;
- Operational methods to select, screen, and train CEO candidates;
- A contingency plan detailing the matters concerning the selection of an acting CEO and the appointment of a new CEO that prepares the company for an emergency such as an accident involved by the CEO;
- Designation of a CEO succession support team and the composition, authority, and responsibilities of the team; and
- Other matters necessary for the appointment of the CEO

(Disclosure of Material Matters Concerning Management Succession) A periodic disclosure of critical matters is necessary, including an internal policy on CEO succession and the matters concerning the management and nomination of candidates.

1.7 The board may wish to establish an executive nomination committee or a CEO nomination committee to nominate a CEO candidate.

(Key Duties of Nomination Committee) A CEO nomination committee, if set up, is responsible for planning management succession, determining the qualifications of the CEO, nominating CEO candidates, and managing a candidate pool, including the identification of candidates and screening the qualifications.

(Recommended Duties of Nomination Committee) A CEO nomination committee is expected to review the appropriateness of the management succession plan periodically and explain to a general shareholder meeting the reason for the appointment of the nominated candidate as well as the CEO

succession program and the details of how the CEO candidate pool is nurtured.

1.8 The board of a corporation belonging to a business group should ensure that any group-level decisions including related-party transactions, do not infringe upon the interests of the corporation and all of its shareholders unjustly.

(Board's Duties and Responsibilities in Business Group-Affiliated Firms) The board is expected to carry out the role of making management decisions and supervising management to protect the interest of the corporation and all its shareholders appropriately. A board serving a company belonging to a business group will also pay attention to the monitoring and management of potentially conflicting interests involved in related-party transactions and self-dealings, in particular. Even though a company is a member of a business group and under the control of the controlling shareholder or another member firm, the board of such a corporation is expected to prevent any undue infringements upon the interest of the corporation and all of the shareholders.

1.9 The board should carry out the monitoring and supervising role to prevent corporate managers or controlling shareholders from adopting excessive anti-takeover provisions to entrench themselves at the expense of minority shareholders.

(Supervision of Anti-takeover Actions) Conflicting interests potentially occur between management and shareholders or between management members when corporate assets such as treasury shares are mobilized as a measure to resist against a takeover bid. It is recommended that the board go through a legitimate procedure and feasibility test before determining whether to accept the acquisition offer considering the shareholder interest and countermeasures against a hostile takeover bid and disclose the final decision. The board is expected to make every effort to prevent some of the shareholders or management from sacrificing the corporate and shareholder interest and using corporate assets in order to maintain their position within the company.

1.10 The board should design the remuneration policy and practices applying to the key management members in alignment with the "sustainability" of the corporation. The essential details of the policy and the remuneration paid to key management members should be disclosed.

※ "Sustainability" refers to the sustainability issues identified by the corporation based on the materiality analysis.

(Remuneration Policy Aligned with Sustainability of the Corporation) The board should design the

remuneration policy and related practices applying to the key management members of the company to align with the long-term interest of shareholders and sustainable growth of the company. The specific details of the policy will be disclosed alongside the remuneration of individual management members regardless of their status as inside directors.

(Claw back due to Falsified Entry, Etc.) To establish a transparent remuneration system, it is desirable for the corporation to claw back or restrict the remuneration paid on the basis of fraudulent accounting or falsified entry on critical matters, among others.

(Disclosure of Remuneration Policy and Detailed Records) The corporation is expected to disclose its remuneration policy in a transparent manner, including the actual payments, recipients, remuneration breakdowns for key management members, and the criteria to compute respective remunerations, stock options, and severance pay.

(Explanation about Remuneration Policy and Computation Criteria) The corporation is encouraged to provide an adequate explanation about its remuneration policy and the criteria of computing the remuneration to the general shareholder meeting. The company may thereby facilitate shareholder monitoring and engagement.

(Stock Options) It is desirable that the company grants stock options in a limited manner to the executives and employees who are contributing or potentially contribute to the technological development and operating performance of the company.

1.11 The board should set up the criteria and process that fairly evaluate the managerial activities of management and directors. The board is expected to disclose the results of the evaluation transparently and incorporate them into the remuneration policy appropriately.

(Need for Board Evaluation) The ultimate goal of the performance evaluation of management and directors is to increase their contribution improvement in firm performance. In this context, objective measures need to be in place to assess whether management and directors fulfill their roles and responsibilities properly. The evaluation should be conducted fairly for the composition and operation of an effective board.

(Board Evaluation Method and Procedure) Board evaluation is broken down into a board-level, board committee-level, and individual director-level evaluation. The evaluation is conducted periodically, and external consultation should be available for the design of the evaluation system to assure

objectivity. The performance of the duties should be evaluated based on objective criteria, including the company's earnings and share price, long-term management goal achievement status, and the remuneration by industry peers.

(Board Evaluation Outcome) The evaluation outcome is disclosed transparently for the perusal of stakeholders. The outcome is reviewed and utilized for the enhancement of board activities. It is also used as supporting data for determining the remuneration or reappointment of management members and directors.

(Remuneration of Directors) In principle, it is desirable that the remuneration committee determine the remuneration of individual directors within the range approved by the general shareholder meeting. If a remuneration committee is not in place, it is recommended that the board determine the remuneration by its resolution and avoid delegating the decision to the CEO. The remuneration committee will evaluate the management performance of each director based on pre-determined objective criteria and submit a written report to the board of directors. The board needs to have a system to be informed of, readjust, and approve the performance targets.

(Duties and Remuneration) Management members and directors receive remuneration in return for their services. As such, the remuneration needs to be in proportion to the services within a reasonable range and be determined at an appropriate level relative to the financial position of the company.

(Restriction to Excessive Severance Pay) Corporations are advised to disclose their severance pay policy for executives and directors and avoid an excessive level of severance pay. Further, the basic salary and the payment rate should be determined within a reasonable range to prevent excessive severance pay in light of past management performance, corporate financial position, the reason for resignation, and so forth.

※ For the purpose of the subject guidelines, directors refer to the executives who serve the board of directors. (The same applies hereafter.)

2. Roles and Responsibilities of Directors

2.1 Directors should carry out their roles discharging their duty of care as good managers. Directors are expected to invest sufficient time and effort using adequate information to make rational decisions.

(Duty of Care) Directors have the authority delegated by the corporation and shareholders so much so that they are expected to fulfill their duty of care as good managers when carrying out their roles. Directors will review the materials relevant to the pending issues thoroughly and attend the board meetings faithfully.

(Gathering Information and Supervising Breach of Laws) As necessary, directors may ask questions and offer opinions to management, and seek advice from outside specialists. While carrying out their duties, directors are expected to pay attention to any breach of laws committed by themselves, peer directors, or management.

2.2 Directors should not divulge or use any confidential corporate information they obtained regarding their roles as directors for their own or a third party's benefit.

(Duty of Confidentiality) Directors should be careful enough not to divulge any corporate secrets they obtain regarding their roles as directors. They should also take care to prevent such corporate secrets from being made public by others. Directors should neither use confidential information of the company for their own nor a third party's benefit. Any use of corporate secrets by directors should be prohibited since such an act may damage the company's trustworthiness or cause loss to shareholders and creditors, among others, if it does not bear any financial harm to the company.

2.3 Directors should not exercise their authority for their own benefit or that of a third party. They should pursue the best interest of the corporation and shareholders all the time.

(Duty of Loyalty) A director should act in the company's and shareholders' best interest when his interest and that of the corporation conflict. If a director has interests in a transaction or contract with the corporation, directly or indirectly, he or she is expected to disclose the details of such interests and related important information to the board of directors expressly in an ex-ante manner. They should also obtain approval from the directors having no interest in the pertinent matter.

2.4 A director is liable for damages to the corporation if he or she has breached laws or the company's articles of incorporation or neglected the duties as a director. If the director had any intention or negligence in such acts, the damages to a third party are also payable.

(Liability for Damages) Directors are expected to observe the laws and the articles of incorporation of the company in carrying out their duties. Also, they should violate their fiduciary duty. If not, the company may not reappoint the directors or choose to dismiss them. Such measures alone, however,

do not guarantee the proper conduct of the directors. They do not negate the losses already incurred to the corporation or a third party, either. In this sense, the most effective is to hold the involved directors liable financially in proportion to the damage caused.

(Management Judgment and Discretion) If a director has collected a significant amount of reasonably reliable materials and information, reviewed them carefully and sufficiently, and made a judgment faithfully and reasonably to act in the best interest of the company, such a judgment should be respected unless there is any aspect of fraud, unlawfulness, or conflicting interests.

2.5 The corporation may use corporate funds to purchase directors liability insurance to hold the directors accountable effectively and attract competent persons as directors.

(Need for Directors & Officers Liability Insurance) The amount involved in liability claims on directors is expanding as corporations grow in size. Meanwhile, a director liability claim becomes less effective if the pertinent director lacks financial ability. Here, liability insurance can be an effective means to pay an appropriate level of compensation for the damage caused to the corporation or a third party. Corporations need to consider purchasing liability insurance for directors proactively as a means to attract a competent person as an outside director, who may be reluctant to take the position due to a potential lawsuit and subsequent damage risk.

(Setting Out-of-Pocket Expense) However, purchasing liability insurance at the expense of the corporation to help the directors pay damages to the corporation or a third party may raise a moral hazard concern. Therefore, companies need to operate a liability insurance program to the extent that does not encourage irresponsible managerial judgment and set the coverage of the liability insurance and the level of the out-of-pocket expense properly.

3. Composition of the Board

3.1 The board of directors should be of a size that can facilitate effective and prudent discussions and decision-making. The board should also have a sufficient number of directors to ensure an effective operation of the committees established under the board.

(Appropriate Size of the Board) The board should have the size that fits the size of the company and the business environment and characteristics. The board needs to be large enough to enable fruitful discussions and appropriate, swift, and prudent decision-making.

3.2 The board should have outside directors independent of management and controlling shareholders in carrying out their roles. The number of outside directors should be a size that can ensure practical independence. A large listed company, in particular, needs to have a majority of outside directors or a minimum of three outside directors on its board.

(Purpose of Outside Directorship) Essentially, outside directors have a role in ensuring supervision of management by the board. Relative to inside directors, outside directors are in a position independent of management and controlling shareholders. As such, they can be more effective in monitoring management actions and providing impartial counsel for management.

(Appropriate Number of Outside Directors) For outside directors to function properly, it is crucial to secure their proportion in the board so that they exercise substantial influence on the decision-making process. In this context, the number of outside directors needs to be determined at a level where the board would be able to maintain practical independence from management and controlling shareholders and supervise and monitor the managerial decision-making process.

※ For the purpose of the subject guidelines, a large listed company refers to a listed company whose asset amounts to KRW1 trillion or more in total. (The local Commercial Act defines a large listed company as one with KRW2 trillion or more in assets)

3.3 It is recommended that corporations not appoint an executive to the board if accountable for damaging corporate value or violating shareholder rights.

(Qualifications of Executives Sitting on the Board) Such a person that has previously damaged corporate value or violated shareholder rights includes but is not limited to the following:

- A person who received administrative or judicial sanctions or is exempted from the execution of the same, which is comparable to the grounds for statutory disqualification, due to the violation of laws and regulations;
- A person who has not implemented a shareholder proposal approved by the general meeting of shareholders and has not provided a justified reason, either;
- A person intentionally distorted or concealed material information that shareholders need to know before exercising voting rights, such as the financial status of the company and the matters related to a board resolution;

- A person holding an excessive number of positions concurrently and unable to fulfill director responsibilities in a faithful manner;
- A person with conflicting interests such as due to self-dealings; and
- A person accountable for any other damage to the corporate value or infringement upon shareholder rights

3.4 The board of directors should consist of competent individuals with professional expertise who can contribute substantially to corporate management. The term of office of the appointed directors should be respected.

(Board Expertise) A board needs to comprise competent people with expertise to carry out its roles faithfully and make substantial contributions to the management of the corporation. Competent people with expertise refer to those having experience and knowledge relevant to the corporation concerned.

(Respect for Term of Office) The term of office of the director will be respected if appointed through the due process at a general shareholder meeting. Unless there is any illegal act, a gross violation against the laws or the articles of incorporation, or a notable inappropriateness as a director, the term of office needs to be respected for the appointed director to conduct the duty as a managing agent for all shareholders faithfully.

3.5 It is recommended that the board consist of directors with a diversity of backgrounds.

(Board Diversity) The board needs to have diversity in knowledge, experience, skills, and gender in harmony to fulfill its roles and responsibilities. Diversity allows the board to share different perspectives and have an effective discussion that reaches objective decision-making.

4. Outside Directors

4.1 An outside director should be a person who does not have a material relationship with the concerned corporation. He or she should also be in a position to make decisions independently from management and controlling shareholders.

(Independence of Outside Directors) An outside director should not have a material relationship with the concerned corporation. A person with a material relationship with the corporation refers to a

person under a contractual agreement or doing business with the concerned company or a related party; a person with shared interest with an affiliate, a consolidated subsidiary (parent company), or the controlling shareholder of a business group, which impairs his or her independence; or any other person with conflicting interest affecting the decision-making of the company. When appointing outside directors, corporations need to consider the practical independence of the director nominees. Outside directors themselves should also strive to make decisions independently from management and controlling shareholders.

4.2 Corporations should confirm and disclose that outside director nominees do not have a material relationship with them. Outside directors, for their part, should submit written confirmation to the company that they are not involved in any material relationship with the company upon accepting the offer of appointment as a board member.

(Disclosure of Outside Directors' Independence) Corporations should disclose any interest held by the outside director candidates at the appointment stage to ensure the independence of outside directors. For this purpose, accepting the offer, outside directors need to submit a letter of confirmation that they have no interest that might impair their ability to discharge their duties impartially and independently from the company, management, and the controlling shareholder. The company should disclose the confirmation.

(Disclosure of Other Interests) Any other interests that do not necessarily harm the impartiality of an outside director also need to be included in the letter of confirmation and subsequently disclosed. Also, should there be any change in the information stated in the confirmation letter after his inauguration into office, the outside director will immediately submit a corrected letter, and the company will disclose the correction.

4.3 An outside director should not hold an excessive number of positions concurrently for the faithful discharge of the duty.

(Prohibition of Excessive Directorships and Competitive Services) The more corporations an outside director serves, the greater chance he or she cannot carry out the director role faithfully because the time and effort for the activities of an outside director are split between different companies. Further, an outside director is expected to prevent in advance a situation where his or her interest conflicts with the interest of the company he serves. In this context, outside directors should not hold an outside directorship in another company involved in a financial dealing related to the companies they serve as

outside directors or any other company operating in the same industry.

4.4 Outside directors should spend sufficient time in carrying out their duty. They should review all relevant materials in advance before attending a board meeting.

(Sufficient Time Allotment) Outside directors are expected to collect and review sufficient information on the agenda up for decision-making and make every effort to make the decision in the best interest of the company. For this, outside directors need to invest sufficient time in discharging their duties, attending all board meetings and reviewing the provided material carefully.

(Proactive Directorship) If the provided material proves inadequate, outside directors are expected to collect and review necessary material themselves, including by reading the account books or related documents. They will also try to gather diverse opinions on corporate management and obtain necessary information from a range of stakeholders inside and outside the company, including shareholders, to minimize the risk of management failure.

5. Operation of the Board

5.1 The roles of the chairperson representing the board of directors and the chief executive officer that represents management should be held separately. Otherwise, it is recommended that a lead outside director representing outside directors be appointed.

(Separation of CEO and Board Chair Roles) The separation of the board chair and CEO roles ensures mutual monitoring and balance for increased effectiveness of corporate management, having positive effects through the board's supervision of management. If the board chair and CEO roles are not separate, it is recommended that a lead outside director be appointed and disclosed to ensure the board's function is independent and effective. The respective responsibilities of the chairperson, the lead outside director, and the CEO as board members need to be prescribed in writing.

(Lead Outside Director's Role) A lead outside director presides at meetings of outside directors and gathers the opinions of peer outside directors before conveying them to the board and management. It is desirable that a lead outside director also has the authority to call a board meeting to render outside directors have stronger rights.

5.2. The chairperson of the board should promote proactive discussions within the board and lead the board constructively. The chair is also expected to support the outside directors to make

decisions based on accurate and timely information.

(Chairperson's Role) The chairperson of the board should lead open discussions and efficient meetings as the leader of the board. Also, the chairperson is expected to try to build a constructive relationship among directors and between directors and shareholders, stakeholders, and management. The chair should also come up with a way each director can identify necessary information timely and with ease.

5.3 For the sake of effectiveness, the regulation on the operation of the board of directors should be in place specifying the board's authority and responsibilities as well as the operational procedures.

(Need for Regulation on Board Operation) The board of directors comprises multiple inside directors, outside directors, and other non-independent and non-executive directors. Therefore, challenges may arise operational-wide without an explicit regulation on the board operation. In this context, companies are expected to establish a regulation concerning the board operation specifying the board's authority, composition, and operational procedure, among others, and operate the board according to such a regulation to ensure an efficient board.

5.4 The board should meet periodically under a pre-established annual schedule of meetings.

(Need for Regular Board Meetings) The board of directors is encouraged to meet on a regular basis for the faithful discharge of their role as a supervisor of the corporation's management activities and as a decision-making body for critical matters. It is not possible to prescribe the frequency of the board meetings applicable to all corporations. A best practice would be establishing a yearly plan and holding meetings periodically. As necessary, special board meetings may also be called for the effective operation of the board.

(Scheduling Regular Board Meetings) For the efficient operation of the board, the meeting date and time need to be arranged in advance or notice is made sufficiently prior to the meeting. A good practice would be having a provision on regular board meetings in the articles of the incorporation or the regulation on the board operation, or deciding the date and time for the next meeting in the previous meeting. For the benefit of outside directors, in particular, it would be helpful for the efficient operation of the board to set in advance the date and time of a meeting where outside directors receive briefings on material matters from management and present their opinions on them.

5.5 The board of directors or the committees under the board should prepare the minutes or tape-

record the proceedings of their meetings each time and maintain the same. As for crucial discussion topics and resolutions, in particular, the minutes should be prepared at the director level.

(Preparing Minutes of Board and Committee Meetings) Detailed and exact records of the discussions and resolutions made at the board or committee meetings as well as the voting records and statements of individual directors carry critical significance for increased accountability of the directors. Therefore, it is necessary for the company to prepare and maintain the detailed minutes of the proceedings or audio recordings of every board and committee meeting. Clear and detailed records of important discussions and resolutions by each speaker should be included in the minutes, and the pertinent directors need to sign them.

5.6 If necessary, telecommunications means should be mobilized to help board members attend the board meetings to the extent practicable.

(Telecommunications Means to Ensure Participation) The board should grant every director equal opportunities to present opinions. Directors unable to attend the board meetings in person are entitled to telecommunications means (voice, or video and voice) to join the meetings.

5.7 Corporations should provide outside directors with adequate information necessary to carry out their duties. The outside directors may request the corporation to provide such information promptly.

(Providing Information for Outside Directors) Outside directors need adequate information about the corporation's business plan or managerial situation to discharge their duties effectively. As such, management, including the CEO, should provide outside directors with any necessary information, sufficiently and timely, so that they may assess the company's managerial situation accurately. Before a board meeting, in particular, outside directors should be provided with the information relevant to the pending agenda for their prior review.

(Outside Directors' Right to Ask for Information) Outside directors should have easy access to the necessary information to present opinions on the company's business objectives or strategic decisions. For this, outside directors need to have the authority to ask the relevant officers and staff members for relevant information, provided that they keep corporate secrets confidential. It is recommended that the company designate a team responsible for responding to outside directors' requests for

information.

5.8 When necessary, outside directors may receive assistance from executives and employees of the corporation or external specialists through due processes. The company should cover the expenses involved in securing such assistance.

(Support from External Specialists) Through due processes, an outside director should be able to seek the assistance or advice of the executives and employees of the company or specialists outside the company, such as legal advisors and remuneration consultants, if necessary. The company covers the expenses incurred in obtaining such assistance or advice, provided that the costs are justifiable and reasonable.

5.9 It is recommended that a meeting only joined by outside directors be held aside from board meetings to reinforce outside directors' role to supervise and support management.

(Outside Director Meetings) To ensure the effectiveness of outside directorship, outside directors need to have a system to cooperate with each other. Outside directors should meet periodically and appoint a lead outside director from among themselves who will preside at meetings or deal with critical matters delegated by peer outside directors. The name of the lead outside director and the method of the appointment need to be disclosed. The company should cover the expenses incurred in holding an outside director meeting, provided that the costs are justifiable and reasonable.

(Communication between Outside Directors and Management) Corporations are expected to endeavor to provide opportunities where outside directors and management gather together regularly and consult each other on management issues. It helps an efficient operation of the board by allowing outside directors to grasp the managerial situation clearly through regular contacts with management and providing management a channel to seek understanding and cooperation from outside directors on the pending management matters.

5.10 Outside directors should attend periodic internal and external training programs organized to enhance their performance as directors. New directors, in particular, are expected to receive orientation on director responsibilities and corporate governance.

(Adequate Training Opportunities) Directors are expected to invest adequate time and effort in ensuring the correct understanding and proper conduct of their responsibilities. Newly appointed directors, in particular, need to attend an orientation program covering directors' duties and corporate

governance. For this, companies are expected to run a training program that aids the effective conduct of the director role, providing adequate training opportunities.

5.11 The board, board committees, and individual directors should be evaluated for their activities fairly. The evaluation results should be reflected in the remuneration and re-appointment decision, among others.

(Board and Board Committee Evaluation) The board and the committees under the board are evaluated for the performance of every activity they carry out. The evaluation results are utilized for consideration for board succession and improving board operation.

(Individual Director Evaluation) All directors, inside and outside, are evaluated for their individual activities and performances. The evaluation outcome is utilized for consideration for determining their remuneration and re-appointment.

5.12 The board may delegate its authority to the CEO, the representative executive director under the local Commercial Act, or a board committee, barring the material matters set forth by the applicable laws, the articles of incorporation, or the regulation on the board operation.

(Significance of Delegation of Board Authority) For the board to function effectively and discharge its responsibilities fully as part of the corporate governance structure, the board should be able to delegate part of its authority to the CEO, the representative executive director under the local Commercial Act, or a board committee to the extent it does not breach the applicable legal and regulatory requirements or the company's articles of incorporation. It is encouraged that the board delegates much of the day-to-day management responsibilities, if not critical business decisions, to the CEO or management. The board may also wish to establish a committee and delegate some of its authority to the committee.

(Delegation to Board Committees) The committees will consist of directors with substantial knowledge and interest in their respective fields to ensure division of work. That way, board committees can have increased independence and expertise in director responsibilities and exercise efficient control over management.

6. Board Committees

6.1 It is recommended that the board establish committees of an appropriate number of directors

and task them with specific roles and responsibilities. The board of a large listed corporation, in particular, is expected to set up an audit committee, an outside director nomination committee, and a compensation committee. A company having many transactions between affiliates is encouraged to establish a related-party transaction committee.

(Purpose of Board Committees) Due to temporal and physical constraints, it is unreasonable for the entire board members to convene on all occasions of corporate matters. Therefore, it is encouraged to have a system where matters that arise periodically or require extensive discussions are referred to the relevant committees of the board, which comprise the directors having expert knowledge and interest in the respective fields. Such board committees will increase the effectiveness and expertise in the conduct of the board activities.

(Responsibilities of Audit Committee) The audit committee plays the role of overseeing whether directors and management carry out their responsibilities in an appropriate manner and in accordance with the applicable laws and regulations.

(Responsibilities of Outside Director Nomination Committee) The outside director nomination committee plays the function to recommend outside director nominees to the general meeting of shareholders. It also makes nominations for the board committee members upon the request of the board. The most crucial role of the nomination committee is to identify outside director candidates who are independent and hold appropriate expertise. It is recommended that the outside director nomination committee be established as a standing committee for the management of the outside director candidate pool. For the increased independence of the audit committee auditing independence, it is encouraged that an audit committee member nominee who is also an outside director as well as a full-time audit committee member also be recommended by the outside director nomination committee.

(Responsibilities of Compensation Committee) The compensation committee reviews and evaluates directors' performance, design the compensation package and sets the appropriate pay level for the directors based on such evaluation.

(Responsibilities of Related-Party Transaction Committee) The related-party transaction committee should review and supervise the specific details and procedural fairness of a transaction between affiliates for enhanced transparency of corporate management. The related-party transaction committee is expected to review the likelihood of conflicting interests in a substantiated manner by

deliberating and approving the matters concerning related-party transactions. The committee should also play the role of an actor controlling an unfair or unjust transaction in an ex-ante manner.

(Reporting) It is recommended that each committee report its activities to the board regularly and the board disclose them at least once a year in a public manner such as including in the annual report.

6.2 A board committee should comprise a majority of outside directors. It is recommended that the audit committee, the compensation committee, the related-party transaction committee, and the outside director nomination committee consist of outside directors entirely.

(Composition to Enhance Independence of Committees) In order to ensure independence and expertise, the board committees need to have a sufficient number of outside directors who will play the leading role in the relevant committee. Therefore, a committee should consist of a majority of outside directors.

(Ensuring Independence of Major Committees) A high level of independence is required in making decisions involving remuneration with potential conflicts of interest, conducting an internal audit, making a related-party transaction, and recommending outside director candidates, and all of these processes necessitate monitoring and supervision by outside directors. Therefore, the audit committee, the compensation committee, the related-party transaction committee, and the outside director nomination committee should all comprise outside directors entirely.

(Avoiding Excessive Committee Memberships) Outside directors should avoid serving more than three committees so they can spend adequate time and effort in discharging board activities.

6.3 All matters relating to the structure, operation, and authority of each committee should be expressly stipulated as a regulation. The committees are expected to report their resolutions to the board.

(Board to Avoid Overriding Committee Resolutions) For the committees to function effectively, the board is not expected to override committee resolutions.

(Reporting of Committee Activities and Committee Regulation) Board committees need to submit details of their activities to the board on a regular basis, and each committee should establish a regulation that expressly stipulates its structure, operation, and authority, including but not limited

to the following matters:

- Objective of the committee;
- Authorities and responsibilities of the committee;
- Concrete standards and procedures associated with the committee activities;
- Annual assessment of activities and accomplishments of the committee;
- Composition of the committee, and qualifications, appointment, and dismissal of the committee members; and
- Structure of the committee and reporting to the board

III. Shareholder Rights Protection

1. Shareholder Rights

1.1 Corporations should guarantee the fundamental rights of the shareholders.

(Protection of Shareholder Rights) The fundamental rights of shareholders cannot be taken away or restricted even by the articles of incorporation or a resolution of the general shareholder meeting or the board of directors. As owners of a corporation, shareholders can participate in the company's profit-sharing and hold residual claims, having the right to attend the general meetings of shareholders and exercise their voting rights. Also, shareholders are entitled to receive adequate information necessary to exercise their rights timely. The corporation should faithfully provide, barring any justifiable reason, any information requested by shareholders.

1.2 The matters, which bring about fundamental changes in the existence of a corporation and the rights of shareholders, should be determined at the general meeting of shareholders in a way that would result in the maximum protection of the shareholder rights.

(Key Matters Requiring Shareholder Rights Protection) The following are some of the matters that cause fundamental changes in the existence of the corporation and the shareholder rights:

- Amendments to the articles of incorporation;
- Merger, business transfer, and split-off;
- Dissolution;
- Reduction in equity;
- All-inclusive exchange and transfer of shares;
- Equity increase that changes the ownership structure

(Devising Measures to Protect Shareholder Rights) In the event of changes in the corporation's business and ownership structure, such as a merger, business transfer, corporate split-off, and all-inclusive exchange and transfer of shares, the corporation should prepare effective measures to protect the dissenting and minority shareholders.

It is advisable that the corporation expressly stipulates in its articles of incorporation that the general shareholder meeting approves the matters affecting the corporation's existence and the shareholder

rights significantly, such as a large-scale asset transfer, in addition to the matters requiring resolutions by the general shareholder meeting under the existing applicable law. That way, shareholders themselves can make decisions on such matters.

1.3 Corporations should ensure one vote per one share. The voting rights of certain shareholders need to be restricted in a limited manner per the applicable law.

(Restriction of Voting Rights of Shareholders with Special Relations) The local Commercial Act recognizes one vote for each share of all shareholders. The voting right is an inherent right of a shareholder, and no one can restrict the right in principle.

However, the Commercial Act and certain statutes recognize, as an exception, the placement of restrictions on the voting rights of specified shareholders. Such restriction is necessary and justifiable as a measure to prevent the adverse effects that may result from ownership concentration by controlling shareholders and their voting rights in excess of cash-flow rights.

1.4 The board should ensure that the shareholders opposing substantial structural changes of the business, if any, including a merger and business transfer, may exercise their appraisal rights to demand the determination of a fair stock price that effectively reflects the intrinsic value of their shareholding as per the applicable laws and regulations.

(Appraisal Right of Shareholders) In the event of a change in management control through an acquisition deal, minority shareholders have limited options to make their voices heard and safeguard their interests. To protect the rights of minority shareholders, a company should ensure an appraisal right that allows the determination of a fair share price.

(Determination of Stock Purchase Price) It is desirable that the corporation determines the stock purchase price by mutual agreement with the dissenting shareholders. However, it is not realistic to reach an agreement because listed companies have a large number of shareholders, and the shareholders opposing the acquisition have an option to sell their shares in the market. Therefore, it is advisable for the listed firms to determine the purchase price based on a comprehensive review of a range of factors, including the market price, to ensure substantial fairness.

1.5. Corporations should guarantee the rights of minority shareholders to protect the interest of the entire shareholders. Controlling shareholders who have a significant influence on the business management of the company bear corresponding responsibility in the event they violate the rights

of other shareholders with their action against the interest of the company and all other shareholders.

(Definition of Controlling Shareholders) Controlling shareholders refer to the persons having a de-facto influence on the crucial management matters of the company, including the appointment and dismissal of the officers and directors, regardless of the size of their direct ownership. Controlling shareholders may be any shareholders, including individuals, legal entities, and institutional investors.

(Responsibilities of Controlling Shareholders) The responsibilities to manage business lie in the hands of the board of the company and the senior management team. In the case of a company where controlling shareholders have a dominant influence on the appointment of directors or management officers, however, one can hardly expect that the directors or the officers at such a company could reject the unjust influence of the controlling shareholders completely. In this context, controlling shareholders should also bear the responsibility corresponding to their influence exercised indirectly by using the status as a person having a controlling stake in the company as well as directly by casting votes on the shares they hold or participating in the business management as a director.

(Protection of Minority Shareholder Rights) Corporations are expected to guarantee an appropriate exercise of minority shareholder rights to prevent the abuse of the controlling shareholders' control. Reinforced director responsibilities and effective outside directorships may curb controlling shareholders' unjust interference with the business management against the interest of the corporation and minority shareholders.

2. General Shareholder Meeting

2.1 The board of directors should strive to create an environment that encourages a variety of agenda items to be submitted to the general shareholders' meeting.

(Creating an Environment for Open Discussion) The general meeting of shareholders is the most effective body to gather the opinions of a majority of shareholders as the most direct communication channel. Nowadays, shareholders are expanding their interest in environmental and socially responsible management beyond the traditional agenda items. The board of directors needs to endeavor to create an environment that enables various topics and types of agenda items discussed in the general meeting of shareholders.

2.2 The general shareholders' meeting should have separate proposals for each individual item

when appointing directors or amending the articles of incorporation.

(Separate Proposals of Agenda Items) As for the critical agenda items to elect directors or amend the articles of incorporation, among others, each director nominee or each provision of the company bylaws to be changed should be reviewed and approved separately. That way, shareholders may have their say on each agenda item.

2.3 Corporations should provide shareholders with sufficient prior notice of the general meeting of shareholders with adequate information on the date and time, location, and agenda. Companies should determine the date, time, and location, keeping in mind the shareholders' convenience in easily accessing the meeting.

(Provision of Information about Agenda Items) Corporations should provide shareholders with adequate information about the agenda of the general shareholders' meeting so that shareholders may review the agenda thoroughly prior to the meeting.

(Determination of Meeting Time and Venue) Corporations should determine the time and venue of the meeting of general shareholders in a way that increases the convenience of shareholder attendance. Given that shareholders generally have minority ownership in a number of firms, the meetings need to be not concentrated in the specific period to encourage the attendance of shareholders.

(Notice of General Shareholder Meeting) To ensure a maximum possible number of shareholders participating in the corporate decision-making process, corporations should notify their shareholders of the time and place of a general shareholder meeting in writing or in the form of an electronic document sufficiently prior to the meeting. If possible, it is recommended that the notice be provided 28 days prior to the general shareholder meeting.

2.4 Corporations should ensure that shareholders have adequate information about the director and auditor nominees and sufficient time to review the information before making voting decisions.

(Adequate Information about Director Nominees) Corporations are encouraged to provide shareholders with information about director nominees as well as sufficient time to make a judgment before voting. The information about director nominees needs to include concrete details to help the shareholders make rational decisions.

(Disclosure of Director Nominees) The general shareholder meeting notice should include the following information about director nominees:

- Relationship with the largest shareholder;
- Relationship with affiliates within recent five years;
- Detailed career summary and the board's rationale for the nomination;
- Records of transactions with the pertinent company and its affiliates within recent three years, and information on whether the nominee has competitive or cooperative relation with the pertinent company and its affiliates;
- Any record of tax arrears within recent five years;
- Any record of rehabilitation or bankruptcy filing by the company where the nominee served as a director within recent five years;
- Any disqualification including statutory restriction on employment; and
- The details of board and committee activities and average attendance rate within recent three years

2.5 Corporations should ensure that shareholders could exercise their voting rights in the most convenient manner and create an environment where shareholders can propose to the board the agenda items for the general shareholder meeting.

(Proxy Voting) Shareholders may exercise their voting rights at the general shareholder meeting in person or through a proxy. Here, it is not advisable to restrict the qualifications as a proxy to shareholders. To facilitate proxy-voting, corporations need to disclose their agenda items as soon as possible to allow sufficient time for shareholders to review.

(Support for Proxy Solicitation) Corporations should promptly respond to the request for a copy and reading of the shareholder registry. It is recommended that corporations provide the shareholder registry in a convenient form that can facilitate the conduct of proxy voting or adopt electronic proxy voting.

(In-Writing Ballot or Electronic Voting) Shareholders are entitled to vote using written ballots or by electronic means. Amid the growing likelihood of unexpected risks such as the COVID-19 pandemic that makes it difficult to hold a face-to-face meeting, such alternative means are increasingly important. Corporations should endeavor to provide the details about the shareholder meeting agenda and other relevant materials electronically or post such information online keeping pace with the advancement of the electronic communication means and the growth of foreign and minority

shareholders, allowing shareholders to receive adequate information. Companies should also work to enable shareholders to vote in writing or electronically in a convenient manner. A corporation that adopts in-writing voting is advised to provide the ballot paper, reference materials, and a postage-paid envelop alongside the notice of the general shareholder meeting.

(Support for Exercise of Shareholder Rights) The board of directors should not reject due and legitimate shareholder proposals. Corporations are expected to support the shareholders to file shareholder proposals or solicit proxy voting by bearing the cost incurred or take care of the things necessary in the process.

2.6 The board of directors should ensure that the shareholders other than the controlling shareholder have a say in the appointment of directors. For this, corporations are advised to adopt cumulative voting.

(Independence in Director Appointment Process) If the director nomination and appointment process does not improve, one can hardly expect substantial independence of inside or outside directors, however tighter director qualifications become. The minority shareholders should have their say in selecting director candidates and appointing directors.

(Shareholder Participation in Director Appointment) Shareholder perspectives are diversifying with increasing shareholder engagement. Under the circumstances, companies are encouraged to reflect shareholder interests in the director nomination and appointment process, fully considering the director candidates recommended by the shareholders.

(Purpose of Cumulative Voting) In Korean companies, in particular, controlling shareholders wield a large influence. As such, it is recommended that corporations adopt cumulative voting to ensure the independence of directors and give minority shareholders a greater opportunity to have the directors accountable.

2.7. For increased independence of audit committee members, it is desirable to elect the directors who will also sit on the audit committee under a proposal separate from the one electing other directors.

(Separate Election of Directors Serving Audit Committee) A majority of audit committee members need to be elected separately from other directors. It is encouraged to include a finance and accounting expert among the audit committee members elected separately from other directors.

2.8. The general meeting of shareholders should have transparent and fair proceedings for making resolutions. The board is expected to provide its answer faithfully when shareholders ask a question about the agenda items of the meeting and request an explanation.

(Prohibition of Obstructing Shareholders Exercising Their Rights) Corporations should abstain from obstructing proxy fights or impeding extensive discussions before or at the venue of the general meeting of shareholders. Except for the cases where there is an intent to disrupt the meeting, where the same question is repeatedly asked, or where an unreasonable question is asked, the shareholders present at the general meeting of shareholders should be given adequate opportunities for questions and explanations before voting on an agenda item.

(Disclosure of Voting Results) The votes cast on the spot need to be totaled in a speedy and accurate manner. In addition, it is recommended that corporations disclose the ratios of affirmative and negative votes and the voting results for each proposal tabled to the general meeting of shareholders to help shareholders understand the detailed results of the meeting.

IV. Auditing

1. Internal Audit

1.1 It is recommended that a large listed company establish an audit committee under the board of directors as an internal audit system.

(Need for Audit Committee) At modern corporations, managerial activities have become complicated, and diverse stakeholders need to be considered. As such, companies are expected to set up an audit committee to supervise management, thereby bolstering compliance and transparency in the management activities. Also, a corporation that has an audit committee in place should not have a corporate auditor, as prescribed in the local Commercial Act.

1.2 An auditor or audit committee member should not have a significant relationship with the company they serve and should be able to make decisions independently from management and controlling shareholders of the company.

(Independence of Auditor and Audit Committee Member) An auditor or audit committee member should not be involved in any material relationship with the company they serve. A person with a material relationship with the company refers to the one under a contractual agreement or doing business with the concerned company; a person with shared interest with an affiliate, a consolidated subsidiary (parent company), or the controlling shareholder of a business group, which impairs his or her independence; or any other person with conflicting interest affecting the decision-making of the company. When appointing auditors or audit committee members, companies need to consider their practical independence. Auditors and audit committee members themselves should also endeavor to perform the task of auditing independently from management or controlling shareholders.

1.3 To ensure high independence and expertise in an audit committee, the committee should consist of outside directors entirely and at least two members should have substantial knowledge and experience in auditing.

(Composition to Ensure Independent Audit Committee) An audit committee should have at least three members to function smoothly as a meeting body. It is desirable that the committee consists of outside directors entirely to maintain objectivity and independence. However, if such composition is

not viable, two-thirds of the members should be outside directors, including the chair.

(Need for Guaranteeing Authority and Status of Audit Committee) For the audit committee to fulfill its functions effectively, appropriate authority and status should be vested in the committee to prevent the independence of the audit committee from weakening.

(Enhanced Expertise of Audit Committee) Auditing requires expertise. Although the person undertaking an audit does not necessarily have to have professional qualifications in auditing, he or she should have a good understanding of accounting standards, financial reporting, and internal control systems as well as substantial experience and knowledge to appraise such matters. Therefore, all audit committee members need to have basic knowledge in auditing, and at least two members are required to have professional knowledge of auditing. Here, companies are expected to disclose the rationale for their judgment of the expert knowledge in finance and accounting held by the audit committee members, including concrete career details and the roles expected in the future. Audit committee members should also attend audit-related training programs provided by a professional institution periodically.

1.4 The audit committee or auditor should carry out the auditing duties faithfully:

(Major Auditing Duties) The following are the major auditing duties an audit committee or auditor should discharge:

- To audit the legitimacy of business conducts of the directors and management;
- To audit the soundness and reasonableness of financial transactions of the corporation;
- To examine the appropriateness of financial reporting processes and the accuracy of financial reports;
- To review the adequacy of major accounting standards as well as the changes in accounting estimates;
- To evaluate the internal control system;
- To approve the appointment and dismissal of a person in charge of the internal audit unit;
- To appraise the appropriateness of the functions, structure, and budget of the internal audit unit;
- To appraise the performance of the internal audit unit;
- To approve the appointment and dismissal of an external auditor and report the result to the general meeting of shareholders;
- To evaluate the auditing activities of an external auditor;

- To appraise the independence and appropriateness of non-auditing activities of an external auditor;
- To confirm the follow-up actions taken on the corrections recommended by internal and external audits;
- To prevent and detect wrongdoings and violations of accounting standards, along with fact-finding and taking follow-up measures;
- To establish regulation on the audit committee or auditing and disclose the details; and
- To disclose periodically the details of the committee's or auditor's activities and the matters relating to their independence

(Major Duty (1): Auditing Business Conduct) The most important authority and responsibility of the audit committee or auditor are to audit the business conduct of the directors and management. The audit committee or auditor is expected to audit the legitimacy of the conduct of the directors and management as well as the validity of such business conduct when the conduct is markedly unjust.

(Major Duty (2): Reviewing Financial Reports) The audit committee or auditor should confirm the quality and reliability of the financial reports. Accurate reporting of financial matters to all stakeholders, including shareholders, creditors, employees, the government, consumers, suppliers, among others, is one of the essential responsibilities of a corporation.

(Major Duty (3): Assessing Adequacy of Accounting Standards) Adequacy of the accounting standards adopted by a corporation is the keystone of accurate financial reporting. Therefore, the audit committee or auditor is expected to assess whether or not the corporation follows acceptable accounting standards. Meanwhile, accounting changes hinder the continuity of corporate accounting and give rise to confusion to the readers of the accounting information. Therefore, the audit committee or auditor is advised to deter accounting changes unless it is justifiable even if such changes are permitted under the applicable accounting standards.

(Major Duty (4): Evaluating Appropriateness of Internal Control System) While designing and operating an internal control system is the responsibility of management, evaluating its appropriateness and exploring areas for improvement are the duty of the audit committee or auditor. To assess the adequacy of an internal control system, the audit committee or auditor needs to appraise the existence and effectiveness of a management system for protecting corporate assets. They should also assess whether internal organizational units keep each other in check

appropriately. Based on such evaluation, the audit committee or auditor is expected to develop the means to maintain the adequacy of the internal control system.

(Major Duty (5): Establishing and Operating Internal Audit Unit) Corporations are encouraged to establish an internal unit that will assist the audit committee or auditor and carry out administrative activities as part of the auditing system. It is desirable that the audit committee or auditor is given the authority to approve the appointment and dismissal of the person in charge of the internal audit unit to secure the independence of the unit.

(Major Duty (6): Supervising and Evaluating Internal Audit Unit's Activities) The audit committee or auditor should assess the appropriateness of the internal audit unit's roles, structure, and budget to ensure the team achieves its objectives effectively and supervise the unit's activities on an ongoing basis. It is advisable for the audit committee or auditor to report the assessment results to the board and complete follow-up actions, if any.

(Major Duty (7): Securing Independence and Expertise of Internal Audit Unit) The audit committee or auditor has the oversight duty to ensure that the staff and the person in charge of the internal audit unit have due independence and expertise. Particularly, it is desirable to request the corporation to establish a necessary procedure that will prevent any personal disadvantages caused to the staff or the person in charge of the internal audit unit over the course of their work.

(Major Duty (8): Appointing and Dismissing External Auditor) The audit committee or auditor appointment committee approves the appointment or dismissal of an external auditor and reports the outcome to the general meeting of shareholders afterward. The auditor appointment committee is joined by the representative of creditors, who is a major stakeholder of the company. Considering this fact, the audit committee of a company with a high debt ratio needs to collect the creditors' opinions when nominating external auditor candidates.

(Major Duty (9): Evaluating External Auditor) The audit committee or auditor should assess whether the external auditor carries out his or her duties appropriately by dedicating adequate time and effort, determining the remuneration that is sufficient and justifiable for the auditing duties conducted. They are also expected to evaluate the independence of the external auditor and decide on the reappointment of the auditor at a regular interval. If replaced or dismissed, the external auditor should be given the opportunity to present his or her opinions to the audit committee or auditor.

(Major Duty (10): Approving Non-Audit Service by External Auditor) Other than the audit service, an external auditor is restricted to provide non-audit service that may undermine his or her independence. A non-audit service by the external auditor, if it is necessary, requires the prior approval of the audit committee or auditor. When the audit committee or auditor approves such non-audit service, they are expected to disclose the details of the approval without delay.

(Major Duty (11): Checking Implementation of Corrective Measures Suggested by External Auditor)

If there is a significant disagreement between management and the external auditor, the audit committee or auditor should propose a solution and check if the proposed solution has been implemented. The audit committee or auditor should also ascertain whether the material corrective measures suggested by the external auditor have been incorporated into the operational procedures.

(Major Duty (12): Handling Directors' Wrongdoings and Violations of Accounting Standards)

The audit committee or auditor should take the initiative in preventing and detecting directors' wrongdoings and breach of the laws or articles of incorporation of the company as well as violations of accounting standards, along with fact-finding and taking follow-up measures, among others.

1.5 The board of directors should expressly stipulate the objective, structure, authority and responsibility, and duties of the audit committee and auditor as a regulation. The audit committee or auditor needs to evaluate the adequacy of such regulation annually and disclose the details.

(Preparing Regulation on Operation of Audit Committee or Auditor's Duties)

A corporation having an audit committee in place should prepare a regulation on the operation of the audit committee that will serve as the normative basis for the duties of the audit committee. The regulation should prescribe the objective, mission, and structure of the committee and the qualifications, authority, responsibility, and operation of the audit committee members, among others. Companies that only have a corporate auditor should also prepare an internal regulation detailing specific standards and procedures of the auditor's duties. The audit committee or auditor is expected to examine the adequacy of such regulations annually and disclose the details.

1.6 The audit committee should meet periodically under a pre-established annual plan and may invite to the meeting the management members, finance officer, chief of the internal audit unit, and external auditor, among others, if necessary.

(Need for Quarterly Meetings) The audit committee needs to review the quarterly reporting process

to render the quarterly reporting more effective. In this context, the audit committee should establish an annual plan for its activities and meet periodically. Other than attending official meetings, audit committee members are expected to try to contact management, members of the internal audit unit, and the external auditor as necessary to collect information and exchange opinions.

(Meeting Invitees) The chair of the audit committee should be able to demand management, the financial officer, the person in charge of the internal audit unit, and the external auditor – even outsiders depending on the slated issue - attend its meetings. If the meeting agenda includes the evaluation of management performance, management members should not attend the meeting concerned.

1.7 The audit committee should prepare the minutes for each committee meeting, including concrete and accurate details of critical discussions and decisions made. The audit committee or auditor should maintain detailed records of an audit conducted.

(Audit Committee Meeting Minutes and Audit Records) The minutes of the audit committee meetings and the audit records need to be concrete and detailed, the same as the minutes of the board meetings. They should be made available to shareholders for their perusal as per applicable laws.

1.8 An audit committee member or auditor should have free access to the information necessary for conducting their auditing duties and is entitled to receive advice from external specialists as necessary.

(Access to Internal Information) For the audit committee or auditor to perform their duties faithfully, full access to the information necessary for conducting their duties is a must. For this, corporations are advised to have a provision in an internal rule to hold accountable any person failing to conform to the request for information from the audit committee or auditor without justifiable cause.

(Support for Use of External Advisors) During its work, the audit committee or auditor may require the counsel of the external specialists such as an accountant and attorney as well as the cooperation from the officers and employees of the company or external auditor. Therefore, corporations are advised to prepare a provision in an internal regulation such as the one on the operation of an audit

committee or board of directors, enabling the audit committee or auditor to seek advice from outside experts. When the audit committee has consulted external experts, in particular, the audit committee chair should report to the board the background, content, and the expense of the outside counsel, along with the actions taken and the subsequent effects of the counsel.

1.9 The audit committee or auditor should report to the general meeting of shareholders the details of the evaluation of its independence and major activities conducted. The CEO of the company is expected to include the information in the annual report.

(Disclosure of Independence and Major Activities) An annual report of the corporation should have a separate section detailing the matters showing the independence of each audit committee member or auditor, including their career summary, significant transactions with the company, or interest in the company if any. The section should also include whether the audit committee member or auditor has fulfilled the responsibilities defined in the regulation on the operation of an audit committee or applicable laws along with any other important activities conducted.

1.10 To ensure the independence and faithful conduct of the duties of the audit committee, an audit committee member should be paid an appropriate level of compensation reflective of the volume and scale of the responsibilities of his or her auditing duties, but no other compensation.

(Appropriate Remuneration Reflective of Audit Committee's Duties and Responsibilities) When deciding on the remuneration of an audit committee member, corporations are expected to consider rationally the extra time and effort an audit committee member puts in to carry out his or her duties as a member of the audit committee, in addition to the duties as a director, and the level of the legal liabilities attached to the auditing duties. The board may determine the remuneration of each audit committee member considering the invested time, the details of the activities conducted, and the magnitude of the responsibilities, among others, within the director remuneration cap mandated by the articles of incorporation of the company or a resolution of the general shareholder meeting. It is desirable that the compensation committee, if one exists under the board, decide on the remuneration of an audit committee member.

(Restriction on Remuneration Other Than for Auditing Duties) Audit committee members are expected to carry out their duties independently from management and the controlling shareholders. In this context, they should not be paid any other compensation except for their duties as an audit committee member.

✘ Examples of the remuneration other than for the duties as an audit committee member include the compensation paid for the indirect involvement in the legal counsel or research project commissioned by the company and the benefits such as an international tour package or a golf season ticket.

1.11 Corporations should establish, comply with, and disclose a code of ethics to root out all types of corruption.

(Details of Code of Ethics) Anti-corruption issues facing a corporation may differ from other corporations or industries. Companies need to create and disclose their code of ethics, taking into account such differences. Corporations should focus on integrity and trust when writing a code of ethics and cover the following matters without fail:

- Non-discrimination
- Prohibition of tunneling by executives and staff members
- Prohibition of embezzlement and breach of trust by executives and staff members
- Prohibition of corruptive acts by executives and staff members
- Prohibition of money laundering and related-party transactions by executives and staff members
- Anti-bribery and anti-graft by executives and staff members
- Fair trading and fair competition (prohibiting monopoly, oligopoly and anti-competition behavior)
- Safeguarding the confidentiality of corporate and customer information and internal business information
- Prohibition of unfair acts using confidential internal information
- Raising awareness of the environment, safety, and health issues
- Duty to report illegal and unethical behaviors, if any, and protecting a whistleblower

(Suppliers and Stakeholders) Corporations should encourage all their stakeholders encompassing subsidiaries, contractors, suppliers, and joint ventures to comply with their code of ethics, as well as their employees. Companies need to provide them with training sessions or programs to ensure compliance with the ethics code so they can help raise the quality of ethical management throughout the supply chain and stakeholders.

(Efforts to Comply with Ethics Code) Companies are expected to build a system and procedures to implement their ethics code effectively and have a third-party review, verify, and certify such a system. Corporations should define the relevant roles and responsibilities at the enterprise level and

the level of each division and set out a reporting line, also operating a standing monitoring and reporting system such as a helpdesk, hotline, and ombudsman. Moreover, companies are advised to come up with effective measures to implement the ethics code by linking the compliance with the ethical code with the performance evaluation of the employees and the disciplinary and compensation scheme.

2. External Audit

2.1 Corporations should ensure that an external auditor maintains the legal and practical independence from the corporation, its management, the controlling shareholders, and the affiliated parent company or subsidiary.

(Potential Damage to External Auditor's Independence) As prescribed in the local Act on External Audit of Stock Companies, management and the controlling shareholder of the company should maintain an independent relationship with the external auditor. Companies are expected to create an environment to ensure an independent external audit by restricting behaviors that may harm the external auditor's independence. The following are some sample situations where damage to the independence of the external auditor is likely:

- Contracting non-audit service other than the audit service such as management consulting without the prior approval of the audit committee or corporate auditor
- Contracting a large-scale non-audit service relative to the audit service fee
- Setting a contingent incentive fee associated with the audit of financial statements
- The person in charge of the same external auditor audits the company for more than three years

2.2 Corporations should make sure that their external auditor attends their general meeting of shareholders so that any question by the shareholders about the audit report is answered by the external auditor without problems.

(External Auditor's Attendance at General Shareholder Meeting) Corporations need to make it mandatory for the external auditor to attend their general meeting of shareholders to promote the supervisory role of the shareholders and have the external auditor faithfully answer the question asked by shareholders about the submitted audit report.

2.3 The audit committee or auditor should ensure that the external auditor reports the material matters to them and communicate with the external auditor regularly.

(Important Matters for External Auditor to Consult and Report) The audit committee or auditor should review the material matters that have been identified by the external auditor over the course of its auditing work and consult the external auditor on such matters, including the following:

- Important accounting policy
- Accounting treatments and estimates affected by management's judgments
- Significant revisions to the audit
- Matters on which management have differing views
- Any difficulty faced while performing the external audit

(Periodic Communication with External Auditor) The audit committee or auditor should consult the external auditor about the progress of the external audit whenever necessary. It is recommended that the audit committee or auditor meet with the external auditor without the presence of management at least once a quarter to discuss the material matters about the external audit and reflect the outcome into the internal audit activities.

※ For more details, please refer to the code of best practices for the audit committee(auditor).

V. Communication with Shareholders and Stakeholders

1. Direct Communication with Shareholders and Stakeholders

1.1 The board of directors and management should take it seriously to have a constructive dialogue with the shareholders and stakeholders to support the sustainable growth of the company. For this, the board chair or an outside director in charge of communication is advised to get involved in such communication.

(Need for Communication with Shareholders and Stakeholders) The board and management should pay attention to the requests or concerns raised by the shareholders or stakeholders and communicate with them in person if necessary. Such communication helps widen the consensus with the shareholders and stakeholders and supports the sustainable growth of the company.

(Expanding ESG Discussion) Shareholders and stakeholders are taking an increasing interest in environmental and socially responsible management beyond the governance arrangements of a company. As such, it is desirable to exchange views about a wide range of topics.

(Designation of an Outside Director in Charge of Communication) For smooth communication, it is recommended that the chair of the board, who is an outside director, or a lead outside director engage in external communication. After all, an independent board chair or a lead outside director has overall knowledge about managerial issues and decisions of a company and plays the monitoring and supervising role simultaneously.

(Sharing Communication Outcome) The outside director in charge of external communication is expected to share with the board the opinions of the shareholders and stakeholders gathered during the communication process so that such opinions are reflected in the board's decision-making process.

1.2 The board of directors should have an ex-post review of the agenda items largely opposed by the general meeting of shareholders and communicate with the opposing shareholders, if necessary. It is desirable that the outcome of such a review and an action plan be disclosed.

(Review of General Shareholder Meeting Outcome) The board is the principal who submits proposals for review at the general meeting of shareholders and thus should review the results of

affirmative and negative votes as well as the approval status of the proposals. Here, the board is expected to identify the cause of the rejection as for the proposal receiving a significant level of opposing votes and take necessary action.

(Communication with Opposing Shareholders and Disclosure of Follow-up Measures) If necessary, the board is expected to engage in direct communication with the opposing shareholders to facilitate communication with outside minority shareholders and ease or minimize the concerns raised by dissenting shareholders. It is desirable to disclose the outcome of such a review process and any actions planned in a not-too-distant future from the date of the general shareholder meeting.

(Consideration of Minority Shareholders' Opposition Rate) The board will determine the level of a significant opposition rate taking into account the circumstances faced by the company. It is desirable to compute the effective opposition rate apart from the controlling party's voting.

2. Disclosure

2.1 Corporations should make available necessary corporate information to shareholders timely, adequately, and equally. Even non-mandatory information needs to be provided to all shareholders equally.

(Duty to Disclose Corporate Information) Shareholders are entitled to receive information about the company likely to affect the firm value whenever necessary other than the periodic disclosure. In this context, companies should endeavor to provide relevant information to all shareholders equally. If a company holds a presentation session, in particular, it should also make available the information shared at the session to the shareholders and general investors who were not present.

2.2 Corporations should provide their stakeholders with the information necessary for the protection of their rights within the range allowed by the applicable law. Stakeholders are entitled to have access to such information.

(Need for Disclosure to Stakeholders) Not only shareholders but also a variety of stakeholders, such as employees, customers, suppliers, creditors, and the local community, play highly important roles in the business operation of a company. In this sense, the stakeholders should also be able to access corporate information without any problem. Companies, therefore, should actively respond to the requests for information made by their stakeholders within the range of the applicable law with a view to respecting and protecting the rights of stakeholders. Corporations can implement

transparent and responsible management through such a cooperative relationship with stakeholders.

2.3 In addition to the statutory disclosure, corporations should disclose the information affecting or potentially affecting the decision-making of shareholders and stakeholders.

(Importance of Disclosure) Corporations have the duty to disclose their corporate information proactively and appropriately to their shareholders and stakeholders. Information disclosure raises the trustworthiness of the company and ensures equal opportunities to market participants, helping contain unfair acts driven by the use of non-disclosed information.

(Essential Information Subject to Disclosure) In addition to the legally required disclosure, corporations should disclose the information significantly affecting the decision-making of the stakeholders including investors in a timely manner and through the means ensuring easy access unless such information is confidential. Such information includes the following:

- 1) Information about important decisions other than periodic disclosure,
- 2) Estimates about operating performance and financial condition,
- 3) Shareholding by controlling shareholders and related parties, and
- 4) Disclosure about corporate governance

(Essential Disclosure Item (1): Information about important decisions other than periodic disclosure) It is desirable for corporations to disclose any matter deemed material from the perspective of the users of the disclosed information, in addition to the statutory disclosures enumerated by the applicable laws such as the local Financial Investment Services and Capital Markets Act.

That is, in addition to periodic disclosure, corporations should make a detailed, accurate, and timely disclosure about material decisions such as the ones listed below. When such a decision is made by a board resolution, it is advised to disclose the information on the directors who were present at the relevant meeting and their respective voting records along with the contents of the resolution.

Important matters subject to disclosure are as follows:

- Matters likely to have a significant impact on the financial structure or business operation of the company;
- Matters concerning the issuance of shares;
- Matters entailing material changes in the assets, operations, and business environment of the

company;

- Matters entailing major changes in debt and credit relations;
- Matters concerning important investments and financing;
- Matters entailing material changes in the profit and loss structure;
- Matters that bring about changes in the corporate control and management structure, including acquisition, merger, division, and transfer of business;
- Matters concerning the size and method of dividend;
- Matters relating to the changes in accounting standards and estimates that will affect the investment decisions significantly;
- Matters relating to the appointment or dismissal of an inside and outside director;
- Matters relating to the appointment or dismissal of an auditor;
- Matters relating to the granting and canceling stock options; and
- Voting records of the directors present in a board meeting, alongside the reason for their negative votes and opinions for correction, if any.

(Essential Disclosure Item (2): Estimates about operating performance and financial condition)

Corporations should make appropriate disclosure of the forecast on future business performance and financial standing. A good practice is to include the estimates for three years at a minimum. Here, the disclosure should include a note that the information is a forecast along with the hypothesis and assumptions used for forecasting as well as a disclaimer that the forecast information may differ from real data. Corporations should refrain from the practice where it only discloses favorable information and avoid or postpone the disclosure of any disadvantageous information.

As for the information whose confidentiality is required for the public benefit such as national secrets or trade secrets such as research outcome, however, corporations should be able to postpone the disclosure for a certain period. If a company has failed to keep such information confidential and the information has leaked, the company should disclose such information immediately.

(Essential Disclosure Item (3): Shareholding by controlling shareholders and related parties) A *de facto* controlling shareholder of the corporation is at the core of the corporate governance structure. Therefore, corporations should make detailed and timely disclosure about the shareholding of the controlling shareholder and his or her related parties, including the equity holding status and any

changes thereof, the position in the company, and the transactions with the company, if any.

(Essential Disclosure Item (4): Disclosure about Corporate Governance) Corporations design their corporate governance structure reflecting the unique circumstances faced by them. Thus, corporate governance arrangements may differ from company to company. If there is a significant difference between the corporate governance in operation and the best practices described in this guideline, however, companies are expected to explain what is different and why, alongside the plans for future changes, among others. Companies may disclose such information in the annual report or corporate governance report filed with the local electronic corporate filing system or in the corporate website or sustainability report. In particular, it is desirable to disclose significant matters that are likely to affect the shareholders, such as legal disputes concerning shareholder rights such as a damage claim litigation or shareholder derivative suit.

2.4 The Chief Executive Officer and the Chief Financial Officer of a corporation should assure the accuracy and completeness of the financial reporting.

(CEO's and CFO's Responsibility for Reliable Financial Reporting) The CEO and the CFO need to certify that the financial reports state all essential information to be covered and that all statements are accurate. The CEO and the CFO should also confirm that they have reviewed the financial reports with the audit committee.

2.5 Corporations should use plain language when issuing corporate disclosures and ensure easy access by stakeholders.

(Need for Easy-to-Understand Disclosure) If companies only use technical terms writing their corporate disclosures due to industry diversification, technological advancement, and specialization, it is difficult for the information users to understand the reports. In this context, companies are advised to use plain language wherever possible and add an explanatory note if they use technical terms and facilitate easy understanding of the general users. Companies should also avoid ambiguous terms.

(Need for Easy-To-Access Disclosure) Corporations should make their annual reports, semi-annual reports, timely (ad-hoc) disclosures, and investor relations materials available on their websites for easy access by the public. It is also recommended that companies upload on their websites the operational regulations for important corporate governance committees, including the audit

committee, compensation committee, and nomination committee, as well as the corporate code of ethics.

2.6 If a foreigner has significant ownership in a company, the company is expected to prepare and disclose its audit report and critical ad-hoc disclosures in both Korean and English.

(Need for English-Language Disclosure) Foreign investors and their shareholding in domestic corporations have been growing with financial globalization. In this context, there is a need for English-language disclosure to ensure foreign shareholders' due access to corporate information and facilitate financing on the part of the companies. Publishing disclosures in both Korean and English would be the best practice for all companies. For now, however, at least the ones with many foreign shareholders are encouraged to make disclosures in English, considering any potential burden that may be caused to the companies.

2.7 Corporations should designate a person in charge of corporate disclosure and establish an internal system that ensures speedy delivery of critical corporate information to the person in charge.

(Need to Designate a Person in Charge of Disclosure) Choosing the information necessary for disclosure and disclosing such information effectively is an essential corporate activity that requires expertise. Therefore, companies are advised to designate a person in charge of disclosure and have him or her complete a relevant training course.

(Establishing Internal Information Delivery System) For timely and accurate disclosure, the person in charge of corporate disclosure requires the authority to access major corporate decisions swiftly. A system is necessary that ensures a prompt notification of any corporate information that needs to be disclosed to the person in charge as it comes up.

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