

# PRI CONSULTATION RESPONSE

**KOREA STEWARDSHIP CODE AMENDMENT**

June 2026

An investor initiative in partnership with  
UNEP Finance Initiative and UN Global Compact



# About this consultation

The Korea Institute of Corporate Governance and Sustainability (KCGS) is [consulting](#) on a draft amendment to the Korea Stewardship Code, the principles on the Stewardship Responsibilities of Institutional Investors. Introduced in December 2016 as a private-sector voluntary code, the code is undergoing its first comprehensive revision since its launch.

In December 2025, the Stewardship Code Council, KCGS and relevant ministries and agencies, including the Financial Services Commission, [jointly announced measures](#) to strengthen the code's effectiveness, encompassing an implementation review framework and a revision of the code and its guidelines in the first half of 2026.

The draft amendment gives effect to those measures. It extends the consideration of sustainability factors, including ESG, across stewardship activities; broadens the code's application beyond domestic listed equities to other asset classes; enables collaborative engagement; brings proxy advisors, ESG data and engagement service providers within scope formally; and introduces an annual stewardship report to KCGS. The draft was presented at a public hearing on 8 June 2026 at the Korea Exchange and KCGS, with stakeholder comments invited ahead of the finalisation expected later this year.

The PRI is the leading organisation in advancing responsible investment globally. Set up with United Nations' support, our unique community contributes to stable financial markets and a more prosperous world for all. We bring together signatories, amplify their voices and provide resources and guidance for complex sustainability challenges. The six Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to KCGS's call for feedback on the draft amendment to the Korea Stewardship Code.

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To inform this paper, the Global Policy Reference Group and Korea-based signatories have been consulted.

While the policy recommendations herein have been developed to be globally applicable, the PRI recognises that the way in which policy reforms are implemented may vary by jurisdiction and according to local circumstances. Similarly, the PRI recognises that there may be circumstances where there are merits to allowing market-led initiatives to precede regulatory requirements.

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# Response

## Executive Summary

The PRI appreciates the opportunity to respond to the consultation on the draft amendment to the Korea Stewardship Code. The PRI supports the amendment and considers it a positive strengthening of Korea's stewardship framework.

In the PRI's policy work, a stewardship framework is effective when it sets clear minimum expectations, supports the exercise of investor rights, enables collaboration, and provides for monitoring and implementation.<sup>1</sup> The draft makes progress on each of these.

In summary, the PRI supports the following aspects of the draft amendment:

- **Integration of sustainability factors into stewardship:** Sustainability factors, including ESG, are brought within the definition and scope of stewardship.
- **Wider asset-class scope:** Application extends beyond domestic listed equity to bonds, infrastructure, real estate, unlisted equity and overseas assets.
- **Monitoring informing investments:** Monitoring and engagement outcomes should now inform investment decisions.
- **Accountability across the chain:** Asset owner and asset manager roles are drawn more clearly, with accountability extending down the delegation chain to external managers and service providers.
- **Annual reporting paired with evaluation:** An annual stewardship report to KCGS is introduced, read alongside the December 2025 effectiveness measures, under which implementation reports will be reviewed.
- **A standing review mechanism:** The Stewardship Code Council gives the Code a regular review cycle.
- **Proportionality:** Capacity expectations scaled to size keep mid-sized and smaller institutions within reach of the framework.

The same themes run through the recent code revisions in the United Kingdom and Japan, reflecting a broader trend toward global alignment in stewardship standards.<sup>2</sup> It enables Korean investors and their international counterparties gain a shared baseline, and globally invested portfolios face less fragmentation.

The PRI's recommendations, offered as matters of implementation and future review, are as follows:

- Strengthen the consideration of system-level sustainability risks through stewardship, including collaboration and policy engagement.
- Enable collaborative engagement by removing unnecessary legal or policy barriers to collaborative engagement. Provide guidance on competition and securities law to build confidence in collective action.
- Build practical capacity and asset-class specific guidance as the wider scope beds in
- Streamline reporting and recognise equivalent reporting for overseas and globally reporting signatories.
- Support implementation by publishing reporting themes, good-practice examples and assessment findings.

The comments that follow track the seven Principles and our stance on key proposed amendments. Any indication for further development refers to matters of implementation or to future review cycles, if assessment suggests necessary.

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<sup>1</sup>PRI and World Bank Group (2023) [How Policy Makers Can Implement Reforms For a Sustainable Financial System: Stewardship](#)

<sup>2</sup>Financial Reporting Council, UK Stewardship Code 2020 (published October 2019, effective 1 January 2020), <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code-2020/>; Financial Reporting Council, UK Stewardship Code 2026 (effective 1 January 2026), <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/>; Financial Services Agency of Japan, Japan's Stewardship Code, second revised version (24 March 2020), <https://www.fsa.go.jp/en/refer/councils/stewardship/20200324.html>, and third revision (26 June 2025), <https://www.fsa.go.jp/en/refer/councils/stewardship/20250626.html>.

## **Principle 1: Formulation and disclosure of stewardship policy**

The PRI supports the change in Guideline 1-1 which requires investors to consider sustainability, including ESG factors, in acting for clients and beneficiaries. Increasingly, sustainability issues, including system-level issues like climate change, are being widely recognised as financially material. For example, the PRI, UNEP FI, and the Generation Foundation's 2019 report *Fiduciary Duty in the 21st Century* argued that it would also be a failure of investor duty if institutional investors did not exercise stewardship to encourage high standards of ESG performance in the companies or other entities in which they were invested. The significant growth in stewardship activity on ESG provides further confirmation of this argument. Bringing this into the definition of stewardship itself places Korea's framework on the same footing as recent international practice.

Looking further ahead, the PRI would encourage the Council to encourage investors to consider and address drivers of system-level risks which are featured in the UK stewardship code and ICGN model code.<sup>3</sup> System-level risks play significant roles in shaping conditions in the broader economic, environmental and social systems on which portfolio value ultimately depends. There is a continuous feedback loop between the decisions taken by investors, the sustainability outcomes to which those decisions contribute (via the behaviour of investee enterprises), whether intended or not, and the system-level risks and sustainability opportunities that affect the financial performance of investments. Negative sustainability outcomes pose significant risks to the natural and social systems on which economic prosperity and investment returns ultimately depend, undermining investors' ability to generate long-term value for clients and beneficiaries. An effective stewardship framework supports a progress in ambition, from managing exposures to such risks, towards tackling their drivers, and ultimately towards supporting the economy-wide transition on which long-term returns depend. The PRI would encourage the Code to invite signatories to consider and take actions on system-level risks, since these are risks that diversified, long-term investors cannot escape through portfolio construction alone. Collaborative engagements and engagements with policy makers and sectoral standard setters are one of the most effective levers to drive system-level changes<sup>4</sup>.

In particular, the PRI supports the new Guideline 1-6. Requiring investors to address the selection, management and monitoring of asset managers and service providers within their stewardship policies allows accountability to travel down the chain of delegation, and gives asset owners a practical basis for setting expectations of external managers. A potential next step to consider complementing the Stewardship Code could be complementary expectations for asset owners, for example as with Japan's Asset Owner Principles<sup>5</sup>. This would help pension funds, insurers and mutual aid programmes carry Principle 1 into mandate design.

## **Principle 2: Conflicts of interest – No Comment**

## **Principle 3: Monitoring of investee companies**

The PRI supports the amendment to the Principle itself, under which monitoring results feed into investment-related decision-making where necessary, is in our view the change that gives the code its practical force, supported by new Guideline 3-5 and the broadening of Guideline 3-2 to sustainability including ESG factors. Engagement that can affect how capital is allocated is engagement companies take seriously. The UK, has worked on the same logic, asking signatories to explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions.<sup>6</sup>

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<sup>3</sup> An umbrella term to denote non-diversifiable risk originating from the market's dependencies on environmental, financial and social resources (also known as systematic risk); or any major disturbance in environmental, financial and social systems that results in cascading effects on the economy and financial system (also known as systemic risk).

<sup>4</sup> [PRI Response](#) – UK Stewardship Code 2026 Draft Guidance

<sup>5</sup> Government of Japan, Asset Owner Principles (2024).

<sup>6</sup> Financial Reporting Council, UK Stewardship Code 2020, Principle 7 and associated reporting expectations, <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code-2020/>.

#### **Principle 4: Internal guidelines for stewardship activities**

The PRI supports the amendments to Principle 4, and welcomes in particular the enabling of collaborative engagement under Guideline 4-5. Collaboration can lower the cost of stewardship and raises its effectiveness, particularly on risks that no single investor can efficiently reach, and the PRI [supported the recent revision to Japan's stewardship code](#) which emphasised the importance of collaborative engagement.<sup>7</sup>

One consideration that is material to the provision working as intended is as follows: Korea has already taken a constructive step in this area: the 2020 amendment to the Enforcement Decree of the Financial Investment Services and Capital Markets Act, introduced the general investment purpose category and narrowed the scope of activities treated as influencing management, easing large shareholder disclosure for stewardship activity by individual investors.<sup>8</sup> The treatment of investors acting together is, however, less settled, as holdings continue to be aggregated with those joint holders, and experience elsewhere shows that investors collaborate with confidence only where the treatment is clear.

Japan resolved this through its 2024 amendments to the Financial Instruments and Exchange Act. Such [revisions](#) exclude collaborative engagement and proxy voting from the scope of activities which will trigger additional reporting requirements for large shareholders. The UK did so through publishing the Green Agreements Guidance which explains how competition law applies to environmental sustainability agreements between firms. The Guidance provides examples of environmental sustainability agreements that are unlikely to infringe UK antitrust laws and those that, while capable of restricting competition, may be permitted because of the benefits that they create. The CMA will also be operating an 'open door policy' to give informal guidance to businesses to understand how the Guidance would be applied to specific initiatives.<sup>9</sup> The PRI would encourage KCGS and the Council, working with the relevant authorities, to consider whether comparable guidance could accompany implementation in due course.

#### **Principle 5: Voting policy and disclosure**

The PRI supports the voting amendments. Focusing disclosure on the process used to review proxy advisors' recommendations is more operationally meaningful than the previous formulation, and it keeps responsibility for voting decisions where it belongs, with the investor.

#### **Principle 6: Reporting to clients and beneficiaries**

The PRI supports the reporting expectations, the minimum annual frequency, and the annual submission of the stewardship report to KCGS under guideline 6-4. We read this alongside the December 2025 effectiveness measures, under which implementation reports against twelve review items will be reviewed and approved by the council, outcomes published, KCGS's council-support function separated from its proxy advisory services, and results reflected in public pension funds' selection of external managers<sup>10</sup>. Together these pair reporting with evaluation.

Two suggestions follow: First, published reporting themes and good-practice examples would help signatories improve between cycle. For example - the Financial Reporting Council's (FRC) approach under the UK stewardship code is instructive: through its reviews of stewardship reporting, the FRC provides constructive suggestions and clarifies expectations to help organisations strengthen the clarity and usefulness of their reports, encouraging signatories to go beyond minimum compliance and fostering a

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<sup>7</sup>Financial Services Agency of Japan, Finalisation of Japan's Stewardship Code (third revision), 26 June 2025, <https://www.fsa.go.jp/en/refer/councils/stewardship/20250626.html>. The revision was undertaken to promote collective/collaborative engagement and increase the transparency of beneficial shareholders.

<sup>8</sup> Enforcement Decree of the Financial Investment Services and Capital Markets Act, amended 29 January 2020 and effective 1 February 2020, introducing the general investment purpose reporting category and excluding specified stewardship activities from the scope of management participation. See Financial Services Commission, FSC Reforms Large Shareholding Reporting Rules, <https://www.fsc.go.kr/eng/pr010101/22241>. Recent Korean market commentary continues to identify regulatory uncertainty around collective action as a principal barrier to collaborative engagement ([The Asia Business Daily, March 2026](#)).

<sup>9</sup>Amendments to the Financial Instruments and Exchange Act (2024), excluding collaborative engagement and proxy voting from the scope of activities triggering additional reporting requirements for large shareholders; UK Competition and Markets Authority, Green Agreements Guidance (2023).

<sup>10</sup> Financial Services Commission, joint announcement with the Stewardship Code Council, KCGS and relevant ministries of measures to strengthen the effectiveness of the Stewardship Code, 29 December 2025, <https://www.fsc.go.kr/eng/pr010101/86033>.

culture of continuous improvements<sup>11</sup>. We expect, a comparable feedback loop would help Korean signatories raise reporting quality over successive cycles.

Second, the PRI would encourage KCGS and the Council to make explicit how the annual reporting obligation applies to overseas investors and signatories that already report under comparable international frameworks. Confirming that equivalent reporting can satisfy the requirement would remove duplication for globally invested signatories and would support overseas participation in the Code. This reflects a broader direction the PRI has encouraged across markets: creating mechanisms to recognise equivalent disclosure standards from other jurisdictions or international bodies that follow similar principles<sup>12</sup>. The interoperability mechanisms adopted by Singapore and Hong-Kong, which recognise compliance with comparable home-jurisdiction standards (albeit in the context of ESG fund product-level disclosure rather than stewardship reporting), offer a useful reference.

### **Principle 7: Capabilities and expertise**

Proportionality under Guideline 7-1, with capacity expectations scaled to an investor's policy and operational size, keeps the framework within reach of mid-sized and smaller institutions, and that breadth matters for the responsible investment ecosystem as a whole. Guideline 7-4's requirement to monitor external service providers extends quality assurance to the input's investors rely on.

Because the amendment extends stewardship beyond listed equity, the capabilities principle 7 addresses must now stretch across asset classes where investor influence works differently. As the wider asset class scope beds in, signatories will likely benefit from practical guidance on stewardship in fixed income, private markets and real assets, where the levers, escalation tools and rights available differ across these asset classes and listed equities. Guidance that reflects those differences, with worked examples for private equity, private debt, fixed income, and real assets would help signatories report meaningfully. We suggest this as an early item of work for the Council, and the PRI would be glad to support it with materials and convening.

### **Concluding remarks**

The draft amendment brings the Korea Stewardship Code into close alignment with current international practice and gives responsible investment in Korea a strong foundation on which to grow. The points we have raised are with regards to implementation, supporting guidance and future evolution; none detracts from a revision we consider well-judged and balanced.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of the Korea Institute of Corporate Governance and Sustainability to support progress on stewardship-related policy.*

*Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).*

*More information on [www.unpri.org](http://www.unpri.org).*

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<sup>11</sup>The Financial Reporting Council's assessment of signatory reporting under the UK Stewardship Code, including the publication of effective reporting examples, developed incrementally over successive reporting cycles. See <https://www.frc.org.uk/library/standards-codes-policy/stewardship/>.

<sup>12</sup> PRI briefing – Towards Decision-Useful Investor Sustainability Disclosures, April 2026