

Corporate Value-Up Program

I. Introduction of Corporate Value-Up Program

In the fourth round of town hall meetings titled “Strengthening the Role of Finance to Foster Co-Prosperity and Expand the Ladder of Opportunity” on January 17, 2024, the Korean government announced that it would introduce a Corporate Value-up Program to encourage listed companies to achieve higher valuation and to improve the overall Korean stock market valuation in an effort to overcome undervaluation of Korean listed companies.

Subsequently, on February 26, 2024, during the First Policy Seminar on the Corporate Value-up Program for the Advancement of the Korean Stock Market, organized by the Financial Services Commission (“FSC”) with the Korea Exchange (“KRX”) and other related institutions the FSC laid out major initiatives of the Corporate Value-up Program and received comments from stakeholders. In addition, on March 14, 2024, the FSC held a town hall meeting and met with 10 major institutional investors, including pension funds and asset management companies as well as related organizations, such as the KRX, to further develop the Corporate Value-up Program. At the meeting, the FSC and the participants discussed the issues that are closely related to institutional investors, such as revision of the stewardship code and the development of the Korea value-up index.

The details of the Corporate Value-up Program as discussed so far are as follows.

II. Key Features of the Corporate Value-Up Program

1. Establishment of Guidelines and Provision of Incentives for Voluntary Disclosure of Corporate Value-up Plans

The FSC will establish guidelines for voluntary disclosure by listed companies of their corporate value-up plans. Specifically, the guidelines will provide key principles, details and disclosure method for listed companies to voluntarily develop and implement corporate value-up plans and communicate them to their investors. Listed companies, led by their board of directors, will be advised to draw up mid-to-long term corporate value-up plans ((i) assessing the current status, (ii)

setting goals, (iii) preparing plans to achieve such goals and (iv) evaluating the implementations and communicating with investors) every year and publish the plans on their websites as well as the KRX's website.

Further, tax incentives will be provided to encourage companies' voluntary participation. Each year companies selected for outstanding disclosure practices will be granted an award with a number of benefits. For example, they will be granted favorable treatments in various areas from the selection as exemplary taxpayers, evaluation of eligibility for R&D tax credits, consulting services in relation to corporate income tax deduction or exemption, review of tax correction claims to consulting services relating to family business succession.

2. Support for Companies with Outstanding Performance

A. Development of the Korea Value-Up Index and Listing of ETFs

Led by the KRX, a Korea value-up index composed of best practice companies (referring to listed companies with proven records of profitability and those expected to achieve higher valuation) will be developed to be used as a benchmark by pension funds and other institutional investors and ETFs based on such index will be listed on the KRX to attract individual investors as well.

Companies with outstanding performance in their value-up efforts are expected to favorably considered to be included the value-up index. The KRX is reviewing major issues such as how to differentiate the Korea value-up index from the others, the appropriateness of criteria to be applied in selecting the index components, and how to promote pension fund managers' use of the index. The KRX said that it would further discuss with pension funds and other institutional investors and finalize the index by the third quarter, this year.

B. Revision of the Guidelines for the Stewardship Code

The Korean stewardship code is a set of principles regarding institutional investors' exercise of their shareholders' rights over the companies they invest in. Currently, 222 institutional investors, including 4 major pension funds and 125 asset management firms, adopt the stewardship code. The Korea Institute of Corporate Governance and Sustainability (KCGS) noted that the stewardship code guidelines should be revised to have institutional investors assess whether the companies they invested in establish and implement plans to improve the corporate value in the mid-to-long term (i.e., assessing the current situation, establishing plans and implementing and assessing them) and effectively communicate them with the market and shareholders. This will serve as a specific ground for institutional investors to check and encourage the invested companies to participate in the program.

C. Publication of Comparative Data of Major Financial Indicators

The FSC will have data scattered across the Market Data System of the KRX compiled and major financial indicators, such as PBRs, PERs, ROEs, compared and published by market segment and business sector for investors' convenience.

3. Dedicated Support System for the Corporate Value-Up Program


The FSC announced that it would set up a dedicated support system to continuously pursue the Value-Up Program as a mid-to-long term agenda. The KRX will establish a dedicated department and form an advisory board to assist the implementation, supplementation and improvement of the Corporate Value-up Program. Further, the KRX will open a Corporate Value-up Program's website which enables comprehensive searches on matters related to the Corporate Value-up Program, such as status of disclosures of corporate value-up plans.

Town hall meetings organized by the KRX, Korea Listed Companies Association (KLCA) and KOSDAQ Association will be held throughout the year in order to provide training on disclosure for listed companies and consulting for small and medium sized business (SMEs) and engage in continuous communication with them.

III. Next Steps and Implications of the Corporate Value-Up Program

The FSC plans to hold the Second Policy Seminar in May, this year, to receive feedback from companies on the details of the draft guidelines and finalize the guidelines in the first half of this year so that listed companies that have established plans can make voluntary disclosures starting from the second half of this year.

Considering that the Corporate Value-Up Program incentivizes companies with undervalued stock prices on the basis of PBR and PER to establish, disclose and implement measures to address the undervaluation issues in addition to measure to improve their financial performance data such as revenues and profits, if rolled out successfully, the program is expected to achieve improved market valuation of such companies through increased investments by domestic and foreign pension funds and other institutional investors and increase in stock prices.



*By Ji-Pyoung Kim (Attorney)
Chang-hee Shin (Foreign Legal Consultant)
Seung-Hwan Cheong (Attorney)*

Kim & Chang

** The opinions expressed in this article are the author's own and do not reflect the views of KOTRA.*