

**Kobre & Kim's Cross-Border
Disputes Team**

OCTOBER 30, 2025

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Evolving Corporate Governance in South Korea Presents New Imperatives for Global Investors

South Korea's recent wave of corporate governance reforms marks a significant turning point for companies and investors with Korean exposure. While these changes promise stronger minority protections and improved transparency, they also introduce transitional challenges. For global investors, success will depend on leveraging new shareholder rights, monitoring governance shifts, and coordinating cross-border strategies to manage exposure and seize emerging opportunities.

Recent corporate governance reforms in South Korea are accelerating the transformation of corporate governance, intensifying both opportunities and risks for companies and investors with Korean ties.

In August, the National Assembly passed sweeping amendments to the Commercial Act aimed at strengthening minority shareholder rights. Expanding the scope of cumulative voting for large, listed firms, the amendments require that each audit committee member be elected through a separate vote, enabling shareholders to assess nominees individually and limiting the ability of controlling shareholders to fill audit committees with aligned insiders. These changes build on earlier reforms (July 2025). They are intended to address the long-standing "Korea Discount" – the tendency of Korean companies to trade at lower valuations due to perceived governance and transparency issues – by making boards more accountable and enabling more meaningful board representation for minority shareholders. These reforms are expected to shift the balance of power within boardrooms, enhance oversight, and pressure controlling shareholders to adapt.

Against this backdrop, investors and businesses connected to Korea should consider strategic steps to manage risk and pursue opportunities:

- **Leverage Expanded Minority Rights:** The reforms strengthen minority shareholders' ability to elect board members, influence audit committees, and check disproportional control. Investors can use these rights as both a shield to protect their capital and a sword to press for higher governance standards or oppose value-eroding transactions.

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- **Prepare for Transitional Disruption:** As Korean companies adapt to the new governance rules, growing pains are inevitable. Shareholder disputes, boardroom conflicts, and regulatory uncertainty may temporarily weigh on valuations and disrupt corporate decision-making. Active monitoring of board actions and readiness to engage through legal or commercial channels will help investors stay ahead of these challenges.
- **Adopt Coordinated, Cross-Border Strategies:** Many foreign investors hold Korean assets through offshore structures or joint ventures. Aligning governance expectations across jurisdictions and coordinating with global partners can amplify influence in Korea

while reducing exposure to inconsistencies or local resistance, such as pushback from entrenched management or controlling shareholders reluctant to embrace greater transparency and board independence. This approach ensures that Korean investments remain integrated into a broader, resilient global strategy capable of withstanding regulatory shifts and market volatility.

As Korea's corporate governance framework evolves, both domestic and cross-border stakeholders will need to move carefully, balance expectations with reality, and engage early to safeguard interests.

About Kobre & Kim

Kobre & Kim is a global law firm focused exclusively on disputes and investigations. Our firm:

- Avoids ongoing client relationships and instead focuses on special-situation engagements.
- Assists investors in formulating and executing creative and aggressive investment strategies in the context of joint venture disputes, investor disputes, partnership disputes, and shareholder activism campaigns.
- Includes native Korean-speaking lawyers and former law enforcement as part of a Seoul-based team that advises clients on cross-border matters.