

**Kobre & Kim's Cross-Border
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Lessons Learned for Activist Investors: The 2023 Korea Annual General Meeting Season

2023 has continued a trend of increasingly energetic shareholder activism in Korea, with new developments emerging that signal what paths activist investors can take to increase their chances of success. Below, our team explores the main takeaways and lessons learned from the most recent annual general meeting season in Korea.

Here are the main takeaways from the 2023 AGM season for activist investors looking to leverage opportunities in Korea:

1. **Domestic activist funds are taking a softer approach.** Many domestic funds were active during the 2023 AGM season, including Align Partners, Flashlight Capital Partners, Tcha Partners and Truston Partners. Their proposals tended to be softer, more focused on the mid- to longer-term growth and less disruptive to the company's operations. Despite the moderate approach, the results were mixed and there seems to be some learning curve the market and participants would need to climb.
2. **Activists need more capital and better organization.** Activists seem to lack the capital and organized support among retail and institutional investors to prevail in the AGMs, especially the giant National Pension Service (NPS) and leading proxy advisors. The limited stakes of the activist funds and lack of support from prominent institutional investors and proxy advisors meant activists fell short of implementing most of their proposals in 2023.

Activists looking ahead may want to consider the voting guidelines of these potential allies, or design a more effective public relations campaign, to increase the voice of persuasion.

3. **Targets are mounting increasingly sophisticated responses.** Companies looking to “fend off” activist campaigns are deploying new strategies. For example, they are tapping into the resources of experienced investment bankers, as Korean tobacco company KT&G has done with Goldman Sachs. Many are also forming coalitions to fend off activism in proxy battles; entertainment companies SM Entertainment and HYBE Corporation joined forces to fight Align Partners’ campaign supported by Kakao group.

Activist investors should not be afraid to deploy equally sophisticated strategies to anticipate and proactively disarm these moves, from forming alliances of their own and initiating a more aggressive campaign, to taking a cooperative approach with controlling shareholders.

2023 has continued a trend of increasingly energetic shareholder activism in Korea, as clearly demonstrated by the positive reaction in share price movement, but activists still face hurdles when it comes to prevailing in the shareholder resolutions. By deploying creative strategies that can help gain allies and add pressure to controlling shareholders – even those of chaebols – activist investors can learn from the shortcomings of the latest AGM season in time for the next round.

About Kobre & Kim

Kobre & Kim is a conflict-free global law firm focused on disputes and investigations, often involving fraud and misconduct. Our team:

- Has significant experience in corporate governance matters, having led and defended initiatives on the formation and conduct of special investigative committees; organization of steering committees of equity holders to remove incumbent directors outside a regularly formulated election; the serving of statutory notices and pursuit of emergency actions relating to books and records access and related asset-freeze applications; applications for involuntary receiverships and liquidations; and other special strategies to place our clients in a position of strength to negotiate a satisfactory resolution.
- Avoids ongoing client relationships with common industry participants and instead focuses on special-situation engagements, allowing us to offer the most aggressive, creative and independent advocacy even in cases involving numerous, overlapping institutional stakeholders’ interests.
- Includes native Korean-speaking lawyers based out of our Seoul and U.S. offices, assisting various clients dealing with Korean regulatory and criminal authorities such as the Korean Financial Supervisory Service and the Korean Public Prosecutors’ Office.