



# Stewardship Without Climate

Reforming Korea's Stewardship Code



Solutions for Our Climate(SFOC) is an independent policy research and advocacy group that aims to make emissions trajectories across Asia compatible with the Paris Agreement 1.5°C warming target.

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## Summary

The Stewardship Code was introduced in the UK in 2010 after the 2008 global financial crisis heightened awareness of the risks posed by institutional investors' focus on immediate gains and lack of responsible oversight. The code quickly spread worldwide, and Korea was relatively early to adopt it in 2016. The number of participating institutional investors in Korea increased from 16 in 2017 to 249 in 2025. However, the code has not undergone any revision in the decade since its adoption. As a result, it contains no provisions addressing climate change or environment factors. This absence reflects more than an incomplete framework; it also constitutes a systemic barrier to institutional investors seeking to put climate stewardship into practice.

Among the 15 countries that have adopted the Stewardship Code, 13 have revised their codes to incorporate climate and ESG factors. Italy and Korea remain the only two that have yet to integrate climate factors into their codes. Evidence also suggests that revisions to stewardship codes can lead to changes in investor behavior. In Japan, climate-related engagement by the Government Pension Investment Fund (GPIF) increased 3.4-fold in the four years following revision of the code. In Australia, collective engagement by signatories to the Australian Council of Superannuation Investors (ACSI) increased the share of companies reporting against the Task Force on Climate-related Financial Disclosures (TCFD) framework from 10% to 82% over a seven-year period. In contrast, Korea's National Pension Service (NPS), the country's representative institutional investor, appears to be moving in the opposite direction. The number of companies engaged on climate-related risk management issues fell by more than half, from 29 in 2024 to 13 in the third quarter of 2025. The average annual number of engagements per company in 2024 was only 1.1. In addition, climate-related provisions are absent from the standards governing the exercise of shareholder voting rights. Although NPS has incorporated ESG factors into its own fiduciary duty principles, this remains insufficient because Korea's stewardship code does not contain climate-related provisions.

Against this backdrop, this report proposes the following 5 principles for revising Korea's stewardship code to integrate climate factors:

- First, redefine stewardship: recognize climate and ESG as core components of fiduciary duty
- Second, establish investment principles integrated with climate and ESG: require climate consideration from the policy formation stage
- Third, build a basis for climate engagement and monitoring: make climate risk a formal item of review and engagement
- Fourth, establish standards for the exercise of voting rights on climate response: enable climate stewardship to drive real action
- Fifth, establish a stewardship disclosure system: build an externally verifiable governance structure

## I. Why Korea's Stewardship Code Needs Climate Factors

### 1. The Current State of Korea's Stewardship Code

Korea first introduced its stewardship code, the Principles on the Stewardship Responsibilities of Institutional Investors, in December, 2016. On the surface, the code's reach expanded rapidly, with the number of participating investors increasing from 16 in the first half of 2017 to 249 as of December 2025. However, Korea's stewardship code has not been revised in the decade since its adoption, while other leading countries have undertaken a series of revisions to incorporate climate and ESG factors into their codes. A closer examination of the code's current 7 principles and the extent to which climate or ESG factors are reflected further underscores this gap.

[Table 1-1] Seven principles of Korea's stewardship code and the inclusion of climate and ESG factors

Principle	Content	Climate Factors
<b>Principle 1</b>	Institutional investors, as a steward of assets entrusted by their clients, beneficiaries, etc., to take care of and manage, should formulate and publicly disclose a clear policy to faithfully implement their responsibilities.	No ESG/ climate factors
<b>Principle 2</b>	Institutional investors should formulate and publicly disclose an effective and clear policy as to how to resolve actual or potential problems arising from conflicts of interest in the course of their stewardship activities.	No ESG/ climate factors
<b>Principle 3</b>	Institutional investors should regularly monitor investee companies in order to enhance investee companies' mid- to long-term value and thereby protect and raise their investment value.	No ESG/ climate factors
<b>Principle 4</b>	While institutional investors should aim to form a consensus with investee companies, where necessary, they should formulate internal guidelines on the timeline, procedures, and methods for stewardship activities.	No ESG/ climate factors
<b>Principle 5</b>	Institutional investors should formulate and publicly disclose a voting policy that includes guidelines, procedures, and detailed standards for exercising votes in a faithful manner, and publicly disclose voting records and the reasons for each vote so as to allow the verification of the appropriateness of their voting activities.	No ESG/ climate factors
<b>Principle 6</b>	Institutional investors should regularly report their voting and stewardship activities to their clients or beneficiaries.	No ESG/ climate factors
<b>Principle 7</b>	Institutional investors should have the capabilities and expertise required to implement stewardship responsibilities in an active and effective manner.	No ESG/ climate factors

Source: Korea Institute of Corporate Governance and Sustainability, *Principles of the Korea Stewardship Code* (2016).

None of the 7 principles of Korea's stewardship code make any reference to climate or ESG factors. The closest reference appears in the guidelines, a supplementary and lower-level document intended to

support implementation of the principles. The guidelines to Principle 3 state that non-financial factors, such as corporate governance and business strategy, should also be monitored. The guidelines to Principle 4 state that institutional investors should seek to build consensus with investee companies on key financial and non-financial management matters. However, the guidelines do not carry the same weight as the principles, and they contain no explicit reference to climate or ESG factors. At most, they offer an indirect indication. From fiduciary responsibility policy under Principle 1 to reporting under Principle 6 and capability reinforcement under Principle 7, climate risk is not identified as a relevant consideration. The absence of climate-related provisions across all 7 principles demonstrates that there is no institutional basis for investors to treat climate risk as part of their fiduciary duties.

In 2025, discussions on improving the stewardship code began as part of the capital market modernization initiative. The Financial Services Commission (FSC), together with the Korea Stewardship Code Council and the Korea Institute of Corporate Governance and Sustainability (KCGS), announced measures to strengthen the effectiveness of the code. These include plans to introduce an implementation monitoring system, expand the scope of eligible assets, and include ESG factors within the scope of fiduciary duties. The government and relevant institutions are targeting the first half of 2026 for revisions to the code and its guidelines. However, current discussions have focused primarily on increasing transparency in the exercise of shareholder voting rights and improving governance, leaving it unclear to what extent environmental factors will be reflected in the revisions.

## **2. Climate Risk Has Become a Financial Issue**

In the decade since Korea first introduced its stewardship code in 2016, awareness of the impact of climate change on investment returns has changed fundamentally. Climate risk, once viewed as a distant environmental issue, is now a financial variable directly linked to institutional investors' fiduciary duties.

The shift is also evident in the scale of potential losses in Korea. According to the 2025 Climate Finance Conference, jointly held by the Bank of Korea (BOK) and the Financial Supervisory Service (FSS), expected losses for banks and insurance companies are projected at KRW 45.7 trillion in the absence of climate action, 1.7 times higher compared with KRW 26.9 trillion under a 1.5°C response scenario. Experts agree that once such losses materialize, it may already be too late to respond.

Global empirical research points to the same conclusion. According to a comprehensive meta-analysis of more than 2,200 studies (Friede et al., 2015), approximately 63% found that the integration of ESG factors had a positive impact on investment returns, while 10% reported negative results. An analysis by the NYU Stern Center for Sustainable Business and Rockefeller Asset Management covering 1,141

academic papers and 27 meta-reviews of approximately 1,400 underlying studies similarly found that 58% of research on corporate financial performance reported a positive correlation between ESG and financial performance, while 59% of research on investment concluded that ESG investing performed on par with or better than traditional investing (Atz et al., 2023). This is why investment decisions that fail to take climate risk into account are increasingly seen as inconsistent with fiduciary duty.

### **3. Falling Behind Global Standards**

As climate risk has emerged as a financial issue, leading countries have moved swiftly to revise their stewardship codes and place climate and ESG at the core of fiduciary duty. Among the 15 countries examined in this report, Korea and Italy are the only two whose codes contain no climate or ESG provisions. Both quantitative and qualitative changes to the code are required. Early revisions often limited climate change to examples of shareholder engagement, but more recent reforms have gone further by incorporating climate change into the definition of stewardship or recognizing it as a core component of fiduciary duty. Detailed analysis of each country's code revisions is provided in the next chapter.

Corporate disclosure for investors is another area that requires attention. More than 40 countries have introduced, or are planning to introduce, mandatory ISSB-aligned climate disclosure requirements. As standardized climate data accumulates, investors can use it to monitor companies' climate risks and influence corporate behavior through shareholder engagement and the exercise of voting rights. Within this framework, climate stewardship is a key mechanism for ensuring that the capital needed to achieve net zero is allocated to the right place at the right time. Without an underlying code that requires institutional investors to use such information in investment decision-making and shareholder engagement, disclosure and stewardship remain disconnected. This gap could create structural risks for Korea by isolating its capital market from the global climate finance system.

## II. Global Climate Stewardship Trend

### 1. Overview of Stewardship Codes in 15 Countries

This report selects and reviews 15 countries that have adopted stewardship codes and are suitable for comparative analysis. The countries were chosen to ensure regional representativeness. They were first grouped by region, including Asia-Pacific, the Americas, Africa, and Europe, and then assessed based on institutional similarities with Korea, contrasting characteristics, and their representativeness within each region. Countries lacking sufficient publicly available information for meaningful analysis were excluded from the final list.

An analysis of the stewardship codes of the 15 selected countries shows that revisions to these codes have largely centered on climate and ESG factors, reflecting a broader global trend.

With 13 out of 15 countries explicitly incorporating climate or ESG principles or guidelines into their codes, Korea and Italy remain the only two with no climate or ESG provisions as noted earlier.

The trend is reflected in the fact that 11 out of 15 countries have revised their codes at least once, and 10 of those eleven either introduced new climate or ESG provisions or strengthened existing ones. As noted in the first chapter, these revisions have largely focused on incorporating climate considerations into the definition of stewardship or recognizing them as a core component of fiduciary duty. A detailed analysis of revisions in the UK, Japan, and Australia is provided in the next section.

The findings suggest that integrating climate and ESG factors into fiduciary duty is not merely an experimental approach adopted by a few leading countries, but part of a broader global trend in stewardship standards. Korea's unrevised code reflects how it has fallen behind over the past decade. The table below sets out the enactment and revision history of the stewardship codes across the 15 countries examined in this report.

[Table 2-1] Enactment and revision history of stewardship codes in 15 countries

Region	Country	Stewardship Code	Enacted	Revised	Climate/ESG Provisions
Asia	Korea	Korea Stewardship Code	2016	—	×
Asia	Taiwan	Stewardship Principles for Institutional Investors	2016	2020	✓
Asia	Malaysia	Malaysian Code for Institutional Investors	2014	2022	✓
Asia	Singapore	Singapore Stewardship Principles 2.0	2016	2022	✓
Asia	Japan	Principles for Responsible Institutional Investors	2014	2017-2020-2025	✓
Asia	Thailand	Investment Governance Code (I Code)	2017	—	✓ (revised)
Asia	Hong Kong	Principles of Responsible Ownership	2016	—	✓ (revised)
Europe	UK	UK Stewardship Code	2010	2012-2020-2025	✓
Europe	Spain	Stewardship Code	2023	—	✓ (revised)
Europe	Switzerland	Swiss Stewardship Code	2013	2023	✓
Europe	Italy	Italian Stewardship Principles	2013	2015-2016	×
Oceania	Australia	Australian Asset Owner Stewardship Code	2018	2024	✓
Africa	South Africa	Code for Responsible Investing (CRISA 2)	2011	2022	✓
North America	Canada	CCGG Stewardship Principles	2010	2017-2021	✓
South America	Brazil	AMEC Stewardship Code	2016	2021	✓

Source: ICGN Global Stewardship Codes Network; national stewardship codes; analyzed by SFOC (2026).

The following table reviews whether there is any reference to climate or ESG factors in each component of the stewardship code.

[Table 2-2] Climate/ESG factors in each component of stewardship codes in 15 countries

Country	Definition/ Objectives	Principles	Investment Strategy	Risk/ Opportunity Monitoring	Shareholder Engagement	Voting Rights	Total	Notes
Korea	×	×	×	×	×	×	0	No climate provisions
Italy	×	×	×	×	×	×	0	No climate provisions
Hong Kong	×	×	×	✓	✓	×	2	ESG included in 2016 enactment (no revisions)
Taiwan	×	×	✓	✓	×	×	2	revised in 2020; environmental monitoring
South Africa	×	✓	✓	×	✓	×	3	revised in 2011; ESG in principles
Singapore	✓	×	✓	✓	✓	×	4	revised in 2022; change-related engagement
Thailand	✓	✓	✓	✓	✓	×	5	revised in 2017; climate/ GHG factors
Brazil	×	✓	×	✓	×	×	2	revised in 2021; ESG investment strategy
Canada	✓	×	✓	✓	✓	×	4	ESG as financial risk
Switzerland	✓	×	×	✓	✓	✓	4	revised in 2023; ESG voting rights and risks
Japan	✓	×	×	✓	✓	×	3	revised in 2020; ESG fiduciary duty
UK	✓	✓	×	×	×	×	2	revised in 2020; climate as core fiduciary duty
Malaysia	✓	✓	✓	✓	✓	×	5	revised in 2022; climate risk monitoring
Spain	✓	✓	✓	✓	✓	×	5	revised in 2023; double materiality
Australia	✓	×	✓	×	✓	✓	4	revised in 2024; climate in stewardship definition, collaboration formalized

Source: national stewardship codes; analyzed by SFOC (2026).

## 2. Code Revisions in Major Countries and Their Implications

### ■ The UK: Code revisions redefining stewardship and the 2026 ESG debate

The UK was the first country to adopt a stewardship code in 2010, making it a pioneer in codifying the fiduciary duties of institutional investors. Led by the Financial Reporting Council (FRC), the code was introduced in response to lessons from the 2008 global financial crisis, particularly the risks posed by institutional investors' focus on immediate gains and the irresponsible exercise of shareholder rights. The Walker Report (2009) explicitly identified the lack of institutional investor oversight as one of the causes of the crisis and called for mechanisms to ensure that investors engage proactively with the governance of investee companies. The report led the FRC to introduce the stewardship code, which later served as a model for national stewardship codes in Japan (2014), Korea (2016), Australia (2017) and other key countries. The UK code's principles, together with its comply-or-explain approach, have therefore become a global benchmark.

The UK code has since undergone three revisions, progressively reshaping the concept of stewardship. In its original 2010 version, the objective of stewardship was limited to "improving long-term returns to shareholders and ensuring that governance responsibilities are carried out effectively." In the 2020 revision, however, stewardship was redefined as "an activity that ensures sustainable benefits for the economy, environment and society", recognizing climate and ESG factors as core components of fiduciary duty.

[Table 2-3] Redefinition of the UK's stewardship code over time

Stewardship code	Definition of stewardship
<b>2010 Code</b>	The Stewardship Code aims to enhance the quality of engagement between institutional investors and companies to <a href="#">help improve long-term returns to shareholders</a> and the efficient exercise of governance responsibilities.
<b>2012 Code</b>	Stewardship aims to promote the long term success of companies in such a way that the ultimate providers of capital also prosper. <a href="#">Effective stewardship benefits companies, investors and the economy as a whole.</a>
<b>2020 Code</b>	Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries <a href="#">leading to sustainable benefits for the economy, the environment and society.</a>

Stewardship code	Definition of stewardship
2026 Code	<p>Stewardship is the responsible allocation, management and oversight of capital to <a href="#">create long-term sustainable value for clients and beneficiaries</a>.</p> <p>(Introduction) Effective stewardship supports investors to make well-informed investment decisions to deliver returns that meet the objectives of their clients and beneficiaries today, without compromising the ability to do so in the future. In doing so, <a href="#">investors take account of long-term risks and opportunities, having regard to the economy, the environment and society</a>, upon which beneficiaries' interests depend. ... Investors consider a wide range of issues when making investment decisions and undertaking stewardship. <a href="#">These include governance, environmental and social factors</a>.</p>

Source: UK FRC

The 2020 revision was significant for more than its redefinition of stewardship. A new seventh principle was introduced, requiring signatories to systematically incorporate key ESG issues and climate change into their stewardship and investment activities. In addition, the FRC introduced an assessment system under which signatories must submit annual stewardship reports that are evaluated and publicly disclosed. Under this framework, signatories are required to demonstrate how ESG issues, including climate change, are integrated into their investment and engagement activities.

#### UK Stewardship Code 2020 — Principle 7

*Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.*

The 2026 revision sparked controversy by removing "ESG" from the code. The change reflected both the global backlash against ESG that intensified after the start of Trump's second administration and criticism within the UK that treating ESG as a standalone objective for signatories amounted to excessive regulation. The UK Sustainable Investment and Finance Association (UKSIF), the Pensions and Lifetime Savings Association (PLSA), and others publicly opposed the exclusion of explicit reference to ESG from the code.

The FRC explained that the decision does not diminish the significance of ESG. Although the term was removed from the definition of stewardship, the introduction still states that "investors take account of long-term risks and opportunities, having regard to the economy, the environment and society, upon which beneficiaries' interests depend," making clear that ESG considerations remain part of stewardship. The 2026 revision also substantially reduced the number of principles, cutting those for asset owners and asset managers from 12 to 6, and those for service providers from 6 to 4. This reflects the FRC's effort to make the principles more meaningful in practice. The wording has changed,

but the UK code continues to include climate and environmental factors within the scope of fiduciary duty.

### ■ Japan: Integrating ESG into fiduciary duty

While the UK institutionalized climate and ESG by redefining stewardship, Japan chose to integrate them directly into institutional investors' fiduciary duties. Although Japan's code was modelled on the UK framework when introduced in 2014, it was adopted in response to domestic policy priorities. In line with corporate governance reform, one of the central pillars of Abenomics, the passive exercise of shareholder rights by institutional investors—which reinforced the low returns and weak capital efficiency of Japanese companies—emerged as a key issue. Since its enactment, the code has undergone three revisions that have progressively strengthened climate and ESG factors. The details are set out in the following table.

[Table 2-4] Japan's key stewardship code revisions on ESG and climate

Revised	Key changes
<b>2014 (enacted)</b>	[Principle 3.3] References environmental issues in risk monitoring without using the term ESG. Environment treated as part of risk management.
<b>2017 (1st revision)</b>	[Introduction] States that ESG should be considered in investment decisions. [Principle 3.3] Recognizes environmental issues not only as risks, but also as business opportunities.
<b>2020 (2nd revision)</b>	[Introduction] Incorporates ESG into the definition of fiduciary duty, making ESG considerations part of institutional investors' responsibilities. [Principle 1.1] Requires shareholder engagement for corporate value improvement to consider mid- to long-term sustainability, including ESG factors.
<b>2025 (3rd revision)</b>	Builds on the 2020 ESG-based definition by emphasizing implementation of the principles. Shifts focus from declaratory duties to concrete methods of execution.

Source: Japan's stewardship code and subsequent revisions; analyzed by SFOC (2026).

The second revision in 2020 marked a turning point. "Mid- to long-term sustainability, including ESG factors," was added to the definition of fiduciary duty as a key consideration, elevating its status from a recommendation to a standard that must be met in investment strategies and shareholder engagement. In addition, Principle 1.1 was revised to require that mid- to long-term sustainability considerations, including ESG factors, be taken into account in shareholder engagement aimed at improving corporate value. This created a framework in which ESG considerations influence overall investment decision-making.

#### **Japan's stewardship code guideline 1-1 (2020)**

Institutional investors must seek to improve mid- to long-term investment returns for clients and beneficiaries by considering mid- to long-term sustainability, including ESG factors, and by improving and accelerating investee companies' corporate value and sustainable growth through constructive engagement.

As a next step, Japan's 3rd revision in 2025 retained the 2020 stewardship definition that incorporated ESG, while shifting the focus to how the code can be implemented in practice. The revision introduced more detailed guidance on implementation rather than remaining declaratory in nature. While earlier versions of the code focused on the "what," the latest revision focused on the "how."

One important implication is that the 2020 revision led to changes in the ESG engagement practices of major pension funds such as the Government Pension Investment Fund (GPIF). Once ESG integration was incorporated into fiduciary duty under the code, GPIF included ESG engagement performance in the selection and assessment criteria for its external asset managers. This contributed to a sharp increase in climate-related shareholder engagement (with detailed figures presented in the next chapter). This provides a clear example of how code revisions can change institutional investor behavior and, in turn, strengthen corporate climate response. If Korea were to introduce climate provisions into its code, the National Pension Service (NPS) and other institutional investors would also be likely to adjust their external asset manager assessments and engagement activities accordingly.

#### **■ Australia: 2024 revision incorporating climate into the definition of stewardship**

Australia's stewardship code was introduced by the Australian Council of Superannuation Investors (ACSI) in 2018. Together with members such as AustralianSuper and other superannuation (retirement pension) funds, ACSI has identified climate change as a priority theme for shareholder engagement and has actively exercised shareholder rights.

The 2024 revision significantly elevated the status of climate change within the code. Prior to the revision, climate was one of several prominent examples of ESG issues. However, the revised code incorporated "common environmental assets" into the definition of stewardship and explicitly recognized climate risk as a "market-wide investment risk" rather than a risk limited to individual companies. In addition, the introduction of collective climate action as the 7th principle means that Climate Action 100+ and other forms of collective climate action are now formally recognized as stewardship activities.

**[Table 2-5] Comparison of climate items in Australia's stewardship code revisions (2018 vs. 2024)**

Item	2018 revision	2024 revision
<b>Status of climate change</b>	One of several "prominent examples"	<b>Protection of "common environmental assets" included in the definition of stewardship</b>
<b>System risk</b>	Individual company risk	<b>Elevated to "market-wide investment risk" → clarified as part of fiduciary duty</b>
<b>Collective action</b>	Part of engagement	<b>Elevated to Principle 7 → collective climate actions such as Climate Action 100+ formally recognized as stewardship activities</b>
<b>Greenwashing</b>	No mention	Included in the Introduction as context for the revision → growing ESG integration and concerns about greenwashing noted

Source: ACSI, Australian Stewardship Code (2018, 2024); analyzed by SFOC (2026).

Supported by these code revisions and the collective engagement of institutional investors, the share of ASX200 companies reporting against the TCFD rose to 82%, while 97% of the 30 priority companies established net-zero targets. Further details are provided in the next chapter.

### III. Global Stewardship Achievements and the NPS's Current Status

The earlier cases of the UK, Japan, and Australia illustrate how stewardship code revisions elevated climate and ESG as key components of fiduciary duty. But what did these revisions change in practice? The significance of code reform lies not in declarations alone. Revisions to the code can change institution investor behavior, which in turn can influence corporate climate action. These changes can also be measured in quantitative terms. The following sections examine the performance of global institutional investors alongside that of the NPS under the same standards.

#### 1. Climate Stewardship Performance of Global Institutional Investors

##### 1) Japan's GPIF: How code revisions change engagement practices

The Government Pension Investment Fund (GPIF), one of the world's largest public pensions funds with JPY 250 trillion in assets under management as of March 2025, institutionalized climate-related shareholder engagement following the 2020 revision of Japan's stewardship code. After the revision incorporated "mid- to long-term sustainability including ESG factors" into fiduciary duty, GPIF added ESG engagement performance to the selection and assessment criteria for its external asset managers. Once this evaluation framework aligned with the code, the number of climate-related shareholder engagements conducted by external asset managers increased 3.4-fold, from 314 in 2018 to 1,080 in 2022. Before the revision, engagement focused primarily on issues such as board composition and business strategy. Following the revision, climate-related engagement increased sharply particularly in carbon-intensive industries.

The Fund also found evidence of the effects of shareholder engagement through causal analysis. The results showed that companies subject to climate-related shareholder engagement recorded statistically significantly higher Tobin's q and price-to-book ratios (PBR) than those that were not. Tobin's q measures the market value of a company's assets relative to their replacement cost, with 1 as the benchmark. A ratio above 1 suggests that the market values the company's future profitability above the value of its assets. The average range in the manufacturing sector is 1.0 to 1.5. Companies subject to climate engagement recorded a Tobin's q 0.07 higher than those that were not. PBR measures a company's market value relative to its book value and is calculated by dividing share price by book value per share. Companies subject to climate engagement recorded a PBR 0.11 higher than those that were not. They were also 13%p more likely to have GHG reduction targets and recorded Scope 2 carbon intensity that was 8.16 lower. The effects of engagement were greater for smaller companies, suggesting that code-based engagement is more effective where information asymmetry

is more pronounced. As of 2023, 79% of companies subject to climate engagement showed improvements in climate action.

[Table 3-1] GPIF's causal analysis of the effects of climate-related shareholder engagement (2017-2022)

Target	Variable	Significance level	Coefficient	Interpretation
All companies	Tobin's q (corporate value)	1%	+0.07	Companies subject to engagement recorded statistically significantly higher values; stronger market expectations of future profitability.
All companies	PBR (price-to-book ratio)	1%	+0.11	Companies subject to engagement recorded a PBR 0.11 higher.
Smaller companies	Probability of having GHG reduction targets	5%	+13%p	Companies subject to engagement were 13%p more likely to have GHG reduction targets.
Smaller companies	Scope 2 carbon intensity	5%	-8.16	Companies subject to engagement recorded Scope 2 carbon intensity that was 8.16 lower.

Source: GPIF, Engagement Report (2024).

## 2) Australia's ACSI: How collective engagement changes market standards

The Australian Council of Superannuation Investors (ACSI), whose 39 signatories include AustralianSuper and collectively represent AUD 2.2 trillion in assets under management, has made climate change a priority of its shareholder engagement. Under Principle 3 of Australia's stewardship code, which states that "engagement may be undertaken to... encourage improved practices and transparency on a variety of issues including those that relate to ESG considerations," ACSI signatories established an ESG and Stewardship Policy and systematized collective engagement with fossil fuel and other carbon-intensive companies. As a result, the share of ASX200 companies reporting in line with the TCFD framework increased more than eightfold from 10% in 2017 to 82% in 2024. In addition, 131 ASX200 companies (66%) announced net-zero targets, an 8% increase over 12 months.

The following two cases involving major companies underline the effectiveness of collective engagement. Santos, one of Australia's leading energy companies, produces and exports large volumes of LNG. ACSI signatories criticized Santos for continuing its fossil fuel business without a Scope 3 emissions reduction target or carbon capture plans, and for years called on the company to strengthen its Scope 3 emissions management and develop CCS implementation plans. As a result, Santos adopted a quantitative target to capture 14 million tons of Scope 3 emissions annually by 2040 and launched its Moomba CCS project in October 2024, through which methane emissions were

reduced by 17%. Shareholder support for Santos' climate strategy also increased from 63% in 2022 to 85% in 2025. Another example is Woodside Energy, Australia's largest oil and gas company, which faced criticism for continuing new fossil fuel developments without net-zero targets. Following focused engagement by ACSI, the company agreed to disclose a revised climate strategy and to introduce Say on Climate votes, under which shareholders vote on the company's climate strategy every 3 years.

[Table 3-2] Key achievements of ACSI collective engagement on climate (2017-2024)

Metric	2017	2021	2024	Results
ASX200 TCFD adoption	10%	48%	82%	Increased more than eightfold over 7 years
Net-zero target companies (30 climate priority companies)	N/A	57%	97%	Nearly all companies
Say on Climate adoption	None	4 companies	29 companies	Regular climate accountability mechanism established
Santos — Scope 3 target	None	None	Capture 14 million tons a year by 2040	Quantitative target established through collective engagement

Source: ACSI, Stewardship Report (2025); ACSI, Promises, Pathways & Performance (2024); ESG and Stewardship Policy (2025).

### 3) The UK's Railpen: How the code leads to measurable commitments

Railpen, the UK's railway pension fund with GBP 34 billion in assets under management, conducted private shareholder engagement with Cheniere Energy under the UK Stewardship Code 2020. As the largest LNG exporter in the US, Cheniere Energy had been identified as a priority company in Railpen's 2024 Net Zero Engagement Plan due to its lack of emissions reduction targets and low Transition Pathway Initiative (TPI) score.

Railpen called not only for stated commitments, but for science-based metrics. Following negotiations, Cheniere announced a target to reduce the Scope 1 methane emissions intensity of its LNG production facilities to 0.03% by 2027. In addition, the company agreed to publish Corporate Responsibility Reports to make its GHG emissions reduction activities transparent and subject to external validation.

### 4) The UK's Arcus Infrastructure Partners: Building an ESG disclosure system for unlisted infrastructure companies

Climate stewardship is not limited to large listed companies. Under the UK Stewardship Code 2020, UK infrastructure fund manager Arcus Infrastructure Partners has actively engaged on ESG issues with

eze.network, an unlisted German electric vehicle charging infrastructure company in which it invests.

Arcus' approach went beyond external shareholder engagement and reshaped the company's governance structure. It appointed two representatives to the eze.network board and worked with management to develop an ESG policy. By restructuring the monthly reporting framework to cover both financial and non-financial performance, Arcus enabled eze.network to measure and disclose its Scope 1, 2, and 3 GHG emissions for the first time from 2024. With an ESG KPI-based management system in place, the company also developed a corporate culture in which management uses environmental data as part of day-to-day decision-making. This case illustrates how code provisions on climate-related engagement can help unlisted infrastructure companies build effective disclosure systems.

## **2. Climate Stewardship Status of the NPS**

NPS is Korea's largest institutional investor, with more than KRW 1,000 trillion in assets under management, and a signatory to Korea's stewardship code. On the surface, its institutional foundation appears relatively strong. In 2018, the NPS introduced the Responsible Investment & Governance Principles following the adoption of the code. The principles include ESG factors and recognize sustainability as one of 6 fund management principles alongside profitability and stability. However, all reference to ESG remain discretionary components that "can be considered," with no mandatory provisions requiring the integration of ESG or climate factors.

Its climate-related shareholder engagement, however, appears to be moving in the opposite direction. According to a 2026 study by Noh Jongwha, a policy committee member of the Solidarity for Economic Reform, the number of companies subject to shareholder engagement on climate change risk management fell by more than half, from 29 in 2024 to 13 as of the third quarter of 2025. The number of letters sent and meetings held also halved. The NPS's decision to scale back engagement while many Korean companies have yet to strengthen their climate response is difficult to view positively. At present, responsible investment remains largely limited to ESG rating-based investment decisions, while dialogue-centered engagement conducted behind closed doors has done little to place meaningful pressure on companies to take climate action. Some have therefore called for the introduction of an advisory shareholder proposal framework through which shareholders can formally express their views, as well as more frequent engagement activities.

The same concerns apply to the coal phase-out strategy. Under the NPS's policy, which applies to overseas assets from 2025 and to domestic assets from 2030, companies that have generated 50% or more of their revenue from coal over the previous 3 years are subject to up to 5 years of non-public engagement before any decision is made on investment restrictions. This strategy has two

clear limitations. First, the 50% coal revenue threshold excludes most coal-related companies from investment restrictions. Second, critics argue that the 5-year engagement period functions more as a grace period that prolongs investment than as a mechanism to drive climate action. Clear standards set out in the code could help prevent such delays on a structural basis.

[Table 3-3] Status of NPS shareholder engagement on climate change risk management

Item	2024	2025 (Q3)	Trend
Number of companies subject to climate risk management engagement	29	13	55% ▼
Number of letters sent and meetings on climate risk management	32	16	50% ▼
Average climate engagements per company	1.1	1.23	No meaningful improvement
Standards on climate-related exercise of voting rights	None	None	No change
Climate stewardship activity disclosure	None	None	No change

Source: NPS fiduciary duty activity disclosure (2024, 2025); Noh Jongwha, Solidarity for Economic Reform (2026).

Moreover, there is no system in place to monitor the actual implementation of the code. Any company that adopts the code and establishes guidelines can receive two points in asset manager selection, regardless of implementation quality. As a result, the scoring system does little to differentiate between firms, and only a small number of companies publish implementation reports. In addition, there are no legal or policy grounds to oppose the reappointment of board members who failed to take climate action, as the standards for the exercise of voting rights contain no climate or environmental provisions. External validation and assessment are also impossible in the absence of separate disclosure on climate stewardship activities.

### 3. Key Findings: What the Code Changed, and What It Can Change

All of the metrics examined above point to one question: why does the NPS remain behind leading global institutional investors in climate stewardship? The following table compares 7 climate stewardship metrics of leading global institutional investors with those of the NPS.

[Table 3-4] Climate stewardship activities: global institutional investors vs. NPS

Item	Leading global institutional investors	NPS
Climate provisions in the code	○ (included in code definitions or principles)	× (no provisions in the code)
Trend of climate engagement	Increasing (GPIF: ×3.4 in 4 years)	Fell by more than half from 2024 to 2025 Q3
Average engagements per company	Sustained series of engagements (ACSI: multi-years)	1.1 per year (nominal rather than substantive)
Voting rights standards on climate	○ (Switzerland, Australia, UK)	×
Climate stewardship disclosure	Dedicated climate sections in annual reports (UK FRC)	×
Climate investment strategy	Strategic investment for climate transition (GPIF, CalPERS)	Limited to ESG assessment level (no screening or impact strategy)

Source: Stewardship codes and annual reports of each country; NPS fiduciary duty disclosure (2025); Noh Jongwha, Solidarity for Economic Reform (2026).

As the table suggests, the gap between leading global investors and the NPS stems from the presence of climate provisions in the code. GPIF, ACSI, and Railpen all operate under codes that contain climate-related provisions, which have enabled them to expand engagement and encourage companies to adopt concrete commitments. They also share a common pattern: the inclusion of climate provisions in the code changed institutional investor behavior, which in turn changed how companies manage climate issues. If climate factors are incorporated into Korea's stewardship code, the NPS could follow the same path. The code could provide a formal basis for monitoring investee companies' climate risks and management of GHG reduction targets, make climate a formal agenda item for shareholder engagement, establish grounds for voting against board members who fail to take climate action, include climate engagement performance in the assessment of external asset managers, and create a disclosure system for climate stewardship activities.

If Korea's stewardship code is revised to include climate components, it will provide an institutional basis for the NPS and other institutional investors to put climate stewardship into practice.

## IV. Recommendations for Incorporating Climate into Korea's Stewardship Code

### First

#### redefine stewardship: recognize climate and ESG as core components of fiduciary duty

Revise the definition and objectives of the code to make climate-related risks and opportunities core components of fiduciary duty rather than optional considerations. The current code defines fiduciary duty in the introduction as the "responsibility to promote the mid- to long-term interests of their clients and ultimate beneficiaries by pursuing the mid- to long-term value enhancement and sustainable growth of investee companies." However, the components of that duty are not specified. As a result, there is no clear basis for institutional investors to treat climate risk as part of their fiduciary responsibilities.

Leading countries are expanding the objectives of their stewardship codes through their definitional provisions. In the UK's 2020 revision, stewardship activities are defined as those that "create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, environment and society." Brazil likewise defines the objective of stewardship not only as improving returns, but also preventing structural collapses in the financial market. Japan, in Principle 1.1 of its code, defines stewardship as a responsibility to consider mid- to long-term sustainability including ESG factors when devising investment strategies and making responsible decisions to create corporate value and long-term returns. Switzerland defines stewardship as an approach to sustainable investment designed to address sustainability risks and generate positive impact.

#### Example revision — Add a new item after Item 2

Stewardship is the responsibility to create long-term value for clients and beneficiaries by promoting the mid- to long-term value and sustainable growth of investee companies, with climate change and other ESG considerations recognized as core components of that duty.

### Second

#### establish investment principles integrated with climate and ESG: require climate consideration from the policy formation stage

Establish or revise the principles so that climate considerations are structurally integrated into the development of investment strategies, the monitoring of risks and opportunities, shareholder

engagement, and the exercise of voting rights. Principle 1 of the current code requires investors to establish and disclose their fiduciary duty policies, but makes no reference to climate risk management. As a result, institutional investors' climate response remains largely limited to "considering ESG evaluation results."

Leading countries make the integration of climate and ESG considerations into investment decisions a mandatory responsibility under their stewardship codes. The UK's 2020 revision requires signatories to integrate material ESG issues and climate change into their stewardship and investment activities. Spain likewise defines the integration of ESG considerations and related risks into investment strategies and decisions as part of fiduciary duty. In Japan, the 2020 revision incorporated ESG and other mid- to long-term sustainability considerations into mandatory standards for shareholder engagement. South Africa also requires the integration of ESG factors under Principle 1, while Brazil states in Principle 3 that ESG factors must be considered in the investment process and stewardship activities. Malaysia, in Principle 5, mandates the integration of climate issues and other sustainability considerations into the investment decision-making.

#### Example revision

Institutional investors must include in their fiduciary duty policies the assessment of, and response to, the impacts of climate change and other ESG factors on investment returns and beneficiary interests.

### Third

#### build a basis for climate engagement and monitoring: make climate risk a formal item of review and engagement

Designate climate-related risks and opportunities as formal items for the review of investee companies, and establish provisions that support shareholder engagement where necessary to encourage investee companies to take action. Principle 3 of the current code requires regular monitoring of investee companies, but does not specify climate or ESG factors as matters for review. This creates a structural gap under which institutional investors can scale back climate engagement without disclosing any reason.

With regard to monitoring, leading countries explicitly include ESG and climate risks as items for the review of investee companies. In Principle 1, Canada requires corporate strategy and risk management oversight to cover not only financial risks, but also ESG risks. Japan, in Guideline 3.3, states that risks and opportunities arising from non-financial factors, including social and environmental issues, should be considered when monitoring investee companies. Malaysia likewise provides in Guideline 2.2 that

climate risk and other key sustainability risks must be included in monitoring. Thailand also requires investee companies to explain any failure to comply with ESG principles or any identified risks.

Similar trends can be seen in shareholder engagement. Malaysia defines shareholder engagement in the introduction to its code as a process of identifying and monitoring ESG issues and objectives, establishing improvement plans, and reflecting the results in investment decisions. Hong Kong, in Principle 3-23, states that shareholder engagement should take place in response to risks arising from social and environmental issues, and that the same applies to passive investments. Canada, in Principle 4, requires discussions with the board on its oversight of material sustainability matters, including ESG risks.

**Example revision**

**Institutional investors must regularly monitor investee companies' climate risks and GHG emissions reduction efforts, and call for improvements where corporate action is insufficient.**

**Fourth**

**establish standards for the exercise of voting rights on climate response:  
enable climate stewardship to drive real action**

Add opposition to the reappointment of boards members who have failed to take climate action as one of the standards for the exercise of voting rights, so that climate stewardship can drive meaningful change at the corporate level. Principle 5 of the current code requires the establishment and disclosure of voting rights policies, but contains no climate-related standards. In 2023, the Korea Financial Investment Association (KOFIA) revised its voting rights guidelines for asset managers to include standards for opposing the reappointment of board members who failed to take climate action, such as those overseeing companies designated as controlled emitters under the Framework Act on Carbon Neutrality. The fact that the stewardship code sets a lower standard than the KOFIA guideline reveals a clear regulatory gap.

According to Principle 2 of Australia's code, the exercise of voting rights is a means of expressing views on a company's ESG practices and related disclosures. Switzerland, in Principle 3, calls on investors to understand the ESG factors that may affect the long-term performance of investee companies and to disclose how ESG and sustainability considerations are reflected in their voting policies.

**Example revision**

**Institutional investors must include in their voting rights policy standards that allow opposition to the reappointment of board members responsible for failing to take climate action.**

## Fifth

**establish a stewardship disclosure system: build an externally verifiable governance structure**

Mandate the disclosure of climate-related shareholder engagement and voting records to build a governance structure that can be externally verified and monitored. Principle 6 of the current code requires regular reporting on fiduciary duty activities, but because no requirements are specified for climate stewardship activities, the level of implementation can neither be externally verified nor compared across institutions.

The UK requires signatories to submit annual stewardship reports and demonstrate in writing how they have integrated climate and ESG factors.

**Example revision**

**Institutional investors must disclose, as a separate section of their fiduciary duty reports, their climate-related shareholder engagement activities and voting records.**

Korea is at a crossroads. The stewardship code revision planned for the first half of 2026 is not the country's last chance to integrate climate into its code, but a true starting point. Climate engagement scaled in the UK after climate change was recognized as a core component of fiduciary duty in the 2020 revision, and in Japan after ESG was incorporated into the definition of stewardship. Just as Korea looked to the UK's code a decade ago when adopting its own stewardship code, now is the time to revisit the framework and incorporate climate provisions. The impact of integrating climate into Korea's stewardship code would extend beyond the NPS and reshape the climate response of Korea's capital market as a whole. Climate is already an investment risk, and fiduciary duty is the key. No further time should be wasted.

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# Stewardship Without Climate

## Reforming Korea's Stewardship Code

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Design Nature Rhythm

Solutions for Our Climate(SFOC) is an independent policy research and advocacy group that aims to make emissions trajectories across Asia compatible with the Paris Agreement 1.5°C warming target.