

GOVERNMENT SUPPORTS SMOOTH OPERATION OF CORPORATE AGMS AMID COVID-19 SPREAD

The government announced supportive measures on February 26, 2020 to ensure the safe and smooth operation of companies' annual general meetings (AGMs) as the spread of COVID-19 may delay the submission of financial statements, audit and annual reports by some companies operating subsidiaries in China.

Under the Financial Investment Services and Capital Markets Act and the External Audit Act, listed companies are required to submit (i) a financial statement to auditors no later than six weeks before the AGM; (ii) an audit report a week before the AGM; and (iii) an annual report within 90 days after the end of each fiscal year. If companies miss such deadlines, they may face administrative sanctions or penalties.

Given that the outbreak of COVID-19 is an unexpected and unavoidable event for both companies and auditors, the Securities and Futures Commission (SFC) will grant an exemption from administrative sanctions for companies and auditors who satisfy the following conditions:

- (i) A company's fiscal year ending on December 31, 2019;
- (ii) A company or an auditor must satisfy one of the followings:
 - **COMPANY** whose main operations (including subsidiaries) are based or conducted in China or domestic locations designated as "COVID-19 affected areas;" and whose financial statements or external audits were delayed by the outbreak of COVID-19 or disinfection measures
 - **AUDITOR** cannot complete an external audit for the fiscal year of 2019 due to the outbreak of COVID-19 or disinfection measures, such as closure of auditor's office, etc.
- (iii) A company or an auditor is under ineluctable circumstances equivalent to (i), (ii).

Companies or auditors should submit applications to the Financial Supervisory Service (FSS) or the Korean Institute of Certified Public Accountants (KICPA) from February 28 to March 18 to qualify for an exemption from administrative sanctions.

The FSS and the KICPA will submit their reviews of application to the SFC, scheduled to be held at the end of March, for the final approval of exemptions.

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