

AUTHORITIES MEET TO DISCUSS ESG DISCLOSURE STANDARDS

- Domestic ESG disclosure standards will reflect global disclosure standards to ensure regulatory consistency and interoperability.
 - A draft proposal for ESG disclosure standards will be unveiled in March-April, with an additional comment period thereafter.
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The Financial Services Commission held a meeting with officials from industry groups, investors, related organizations and private sector experts on February 14 to have a discussion on the preparation of domestic disclosure standards for environmental, social and governance (ESG) management. FSC Vice Chairman Kim Soyoung presided over the meeting and delivered opening remarks, outlining trends in global disclosure standards and direction for domestic ESG disclosure standards. The following is a summary of Vice Chairman Kim's remarks.

Global interest on ESG and sustainable growth has led to the strengthening of ESG policy and regulations in global capital markets. To facilitate domestic firms to more effectively respond to this, the government has been making efforts to support the sustainable growth of our economy and businesses. As a part of this, the FSC had introduced a general direction for pursuing ESG disclosure standards at a taskforce meeting held in October last year. Considering trends in major countries, authorities had agreed to adopt ESG disclosure standards from after 2026 and agreed to consider an exchange filing requirement and an application of a minimum level of sanctions during an early stage. Moreover, authorities had agreed on considering the adoption of climate-related disclosure standards first as there is an international consensus already established on this.

ESG disclosure standards are aimed at making sure that information about corporate sustainability practices can be disseminated to investors in a more systematic way, thereby helping to resolve the problem of information asymmetry between companies and investors. Many firms have been filing sustainability reports on a voluntary basis, but the lack of common standards made them difficult for comparison. Therefore, the government was been working with related organizations, such as Korea Accounting Institute, in preparing ESG disclosure standards to be adopted by domestic stock companies.

With regard to the key standard setting direction, first, authorities will make sure that domestic ESG standards are congruent with global standards (e.g. ISSB standards) and interoperable with the ESG disclosure standards of major economies so that domestic businesses will not have to face the burden of redundant disclosure duties in multiple jurisdictions. Second, authorities will adequately take into account particular characteristics of domestic industries and business operating conditions. Unlike some of the advanced countries, the relatively heavier reliance on the manufacturing sector will be taken into account to ensure that businesses are not heavily burdened with excessive disclosure duties. Lastly, authorities will work to boost domestic firms' ESG

management capabilities by making available assistance for the translation of global ESG disclosure standards and offering relevant guidelines.

Comments and issues raised at today's meeting will be reviewed by the Korea Sustainability Standards Board (KSSB) in the process of formulating a draft proposal for ESG disclosure standards, which is expected to be introduced in March-April this year.

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