We are pleased to comment on the Exposure drafts on IFRS S1 *General Requirements*. Our comments include views from responses collected from the various stakeholders[1]. We finalised the comment letter through the due process established in the FSC and KAI.

Exposure Draft *General Requirements for Disclosure of Sustainability-related Financial Information*

Questions for respondents

Question 1 - Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

(c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?

(d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with

[1] See Appendix 1

the proposals? If not, what approach do you suggest and why?

[FSC and KAI's comment]

(a) We believe that ED[2] clearly states that an entity would be required to identify and disclose material information about all the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard. However, it is unclear whether there is a conceptual difference between the terms 'significant' and 'material' used in paragraph 2. Unlike the term 'material,' the definition of 'significant' is not specified in IFRS S1; therefore, there is a need for further clarification and guidance to help preparers understand the exact meaning of the 'significant' in this context.

(b) We agree with the proposed suggestion.

(c) Whilst how IFRS S1 can be applied to other thematic standards, including IFRS S2, is clear to some extent, more specific guidance and/or examples to enhance the clarity of the application should be included.

IFRS S1 incorporates broad and comprehensive contents. However, the requirements are somewhat conceptually described rather than specifically stated with detailed guidance and examples. In particular, the ED does not provide sufficient guidance for preparers as to how they consider the linkage between various sustainability-related risks and opportunities and the connectivity to financial information in preparing relevant disclosures. In addition, guidance on metrics and targets among the four core elements of IFRS S1 is not as detailed as the guidance of IFRS S2, leading to entities facing significant difficulties in applying them to all sustainability-related risks and opportunities.

Furthermore, IFRS S1[3] requires entities to disclose all of the significant sustainability-related risks and opportunities, although relevant standards other than climate-related (IFRS S2) have not been established. Many companies expressed strong concerns about this requirement due to

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[2] Paragraph 2. *A reporting entity shall disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed.*

[3] It is based on IFRS Accounting Standards 'Conceptual Framework,' IAS 1 'Presentation of Financial Statements,' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors.'

significant difficulties in practical application with only one thematic standard currently in place. Accordingly, we suggest that IFRS S1 consist of solely conceptual frameworks (e.g., general requirements, presentation format, etc.) and specific disclosure requirements in relation to sustainability-related risks and opportunities be set out in separate thematic standards to improve the applicability of the IFRS S1 and the possibility of adoption the ISSB standards globally. The conceptual based IFRS S1 might also include the requirements which are the equivalent of the IFRS 1 *First-time Adoption of IFRS Accounting Standards* for entities adopting ISSB standards for the first time.

(d) We suggest clarifying the following matters for auditors and regulators to determine the entity's compliance with the IFRS Sustainability Disclosure Standards:

- Scope of IFRS S1 → see our comments for Question 3
- Examples of connected information→ see our comments for Question 6
- Materiality judgements → see our comments for Question 8
- Specific measurement method

Furthermore, we believe that ISSB should closely communicate with the IOSCO or IAASB regarding the establishment of the global audit and supervision system. Additionally, the ISSB needs to be interested in ensuring that independent and competent organizations audit or certify the disclosure information as well as disclosure system of the entities although it is beyond the scope of the ISSB's responsibility, given that the quality of disclosure information is expected to vary greatly across entities.

Question 2 - Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

[FSC and KAI's comment]

(a) We agree that the proposed disclosure objective is clearly stated.

(b) The definition of sustainability-related financial information should be described more clearly. We recognise that IFRS S1 provides the definition in Appendix A and paragraph 6[4] further provides examples relevant to sustainability-related financial information, indicating that sustainability-related financial information is more extensive than that reported in financial statements.

However, entities may face difficulties in practically applying the standards, given that the term 'sustainability' has not been clearly defined yet, and to what extent it should be considered as

[4] *An entity's governance of sustainability-related risks and opportunities … the entity's development of knowledge-based assets*

sustainability-related financial information remains ambiguous. Therefore, it is necessary to clarify the term ‘sustainability’ addressed in IFRS S1, describe the scope of sustainability-related financial information[5] more specifically, and improve the set of examples[6].

For clarification, we think that the ISSB might refer to the definition of ‘sustainability’ and the sustainability-related category approach (Environment, Social Capital, Human Capital, Business Model and Innovation, Leadership and Governance) used in the SASB standards.

Question 3- Scope (paragraphs 8–10)

Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users’ assessments of the entity’s enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction’s GAAP (so with IFRS Accounting Standards or other GAAP).

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction’s GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

[FSC and KAI’s comment]

We generally agree with the proposals except the followings:

We are concerned that comparability might be undermined due to differences[7] in financial

[5] The meaning of paragraph 6(b) ‘decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements’ remains unclear.

[6] It is not clear whether ‘the entity’s development of knowledge-based assets’ in paragraph 6(d) simply indicates acquisition of a knowledge-based patent or should include a specific ESG value included in an eco-friendly building (e.g., green building).

[7] Though the same IFRS sustainability disclosure standards may be adopted, there will be differences in the information disclosed based on the accounting standards applied across countries. (e.g., Difference between IFRS accounting standards and U.S. GAAP regarding Provisions)

information according to the GAAP that entities use by jurisdictions or within jurisdiction in disclosing the effects of significant sustainability risks and opportunities on financial information (paragraph 22,[8] 42-44[9]).

Paragraph 9[10] excludes sustainability-related risks and opportunities that cannot reasonably be expected to affect assessments of an entity's enterprise value; however, it is necessary to clearly describe the conceptual implications of whether 'cannot reasonably be expected' indicates a failure to provide sufficient basis[11] or implies the information[12] that is not essential for assessing enterprise value.

In addition, it is necessary to clarify the scope of the sustainability-related financial information in accordance with the ISSB standards by providing relevant examples[13] of the information that are out of scope of the standards. It is also necessary to explain in detail which sustainability-related risk and opportunity do not affect enterprise value when considering the rebound effect.

Question 4- Core content (paragraphs 11–35)

The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well-established work of the TCFD.

[8] *An entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant sustainability related risks and opportunities.*

[9] *An entity shall provide information that enables users of general purpose financial reporting … in response to a sustainability-related risk could have consequential effects on the future size and composition of the entity's workforce.*

[10] *Sustainability-related risks and opportunities that cannot reasonably be expected to affect assessments of an entity's enterprise value by primary users of general purpose financial reporting are outside the scope of this [draft] Standard.*

[11] Paragraph 4. *This [draft] Standard sets out how an entity is required to disclose sustainability-related financial information in order to provide the users of that information with a sufficient basis to assess the implications of sustainability-related risks and opportunities on the entity's enterprise value.*

[12] Paragraph 5. *Information that is essential for assessing the enterprise value of an entity includes information that is provided by the entity in its financial statements and sustainability-related financial information.*

[13] E.g., including unpredictable events (e.g., infectious diseases, wars, natural disasters, etc.) at reasonably unpredictable risks.

Governance

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

> to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

> to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

> to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

> to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.

(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

[FSC and KAI's comment]

(a) We agree that disclosure objectives for core contents are clear and appropriately defined.

(b) We broadly support that proposed requirements are generally appropriate; however, there are several concerns regarding the disclosure requirements, especially for strategy. The disclosure objective of the strategy is to enable users to understand the entity's strategy for significant sustainability-related risks and opportunities. To achieve this objective, IFRS S1 requires entities to disclose information about the effects of significant sustainability-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term. (see IFRS S1 paragraph 15(d)[14]). An entity shall disclose quantitative information (single amount or a range) unless it is unable to do so (see IFRS S1 paragraph 22[15]). We have the following concerns about the disclosure of quantitative information.

As to disclosing the impact on current financial statements as quantitative information, stakeholders expressed concerns about whether it is feasible to separately calculate the amount of the effects of sustainability-related risks and opportunities on financial statements (e.g., the portion of certain asset impairment losses resulting from sustainability risks). In particular, the amount of the effect is influenced by various assumptions and inputs, of which it is difficult to consider only sustainability-related variables in calculating the amount impact (even if it is a range) except for other variables. Sufficient quantitative variables or valuation techniques related to climate-related may exist to make it feasible to calculate the amount of the current effects in IFRS S2, but such calculation would be much more difficult in IFRS S1 since IFRS S1 covers all sustainability-related risks and opportunities. Furthermore, producing such quantitative information will incur costs[16] for preparers. The balance between costs and benefits will not be

[14] *The effects of significant sustainability-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term.*

[15] *An entity shall disclose quantitative information unless it is unable to do so.*

[16] A system and external institutions should be utilized, and significant time and effort are required to identify variables for output information. In addition, the burden on preparers increases due to the establishment of an integrated risk management system (foreign subsidiaries).

a challenge for an entity when applying the requirements, but rather an ISSB consideration when establishing the standards.

Stakeholders also expressed concerns about disclosing the anticipated effects of significant sustainability-related risks and opportunities on its business model. Information to understand the anticipated effects is based on future predictions and given that predictions are influenced by a variety of variables, there is a concern that the relevant information (especially quantitative information) provided by the entity is indeed reliable and useful. In addition, since the ED requires entities to disclose information to enable users to understand the anticipated effects over the short, medium, and long term, some stakeholders argue that qualitative information might be more useful than quantitative information given the reliability of medium to long-term estimates. However, some have questioned the usefulness of information about qualitative information (decrease in comparability between entities).

Therefore, it is necessary to ensure that the entity has sufficient time to prepare for a disclosure system (see comments for Question 13) and provide detailed guidance or examples in thematic standards like IFRS S2. Furthermore, it is necessary to clarify the meaning of 'unless it is impossible to do so' as stated in paragraph 22[17] and to provide specific criteria for disclosing quantitative information. Many companies will be reluctant to provide quantitative information due to difficulties in generating the information and uncertainty of information so clear and specific criteria for judgment are essential. In particular, it is necessary to consider how the term, 'impracticable', used in paragraph 34(c)[18] of the ED differs from those used in IFRS accounting standards[19].

Question 5—Reporting entity (paragraphs 37–41)

The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about

[17] *An entity shall disclose quantitative information unless it is unable to do so.*
[18] *Provide restated comparative figures, unless it is impracticable to do so.*
[19] IAS 8. Paragraph 5 Definition, paragraphs 51–52. *If an entity cannot apply the requirements after all reasonable efforts have been made.*

all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

[FSC and KAI's comment]

(a) We generally agree with the proposal. We recognize that the same reporting entity benefits in terms of connectivity and information usefulness. Given the connectivity between accounting standards and sustainability disclosure standards, the reporting entity of the sustainability disclosure must be the same as those in the financial statements. In case that different reporting entities are applied, the information disclosed in one general purpose financial report will be of different reporting entities, reducing the usefulness of the information.

Nevertheless, preparers expressed concerns about the following practical burdens. In case that reporting entity has foreign subsidiaries or businesses, disclosure of the information is a significant burden to the reporting entity with integrated management of sustainability-related risks in foreign subsidiaries or businesses due to physical distance and differences in local regulations (e.g., the scope of hazardous substance). Therefore, it is necessary to reasonably set the scope of disclosure based on materiality to improve the accuracy and quality of the disclosure information.

We suggest that the reporting entity should be consolidated entity proposed in the ED but shall apply in stage with a grace period[20] for the first-time adoption[21], or provide exceptions for flexible application by jurisdiction.

(b) We suggest narrowing the boundaries of the value chain to the supply chain levels[22].

Since the current definition of the value chain in the ED is quite broad, the scope of information that an entity needs to address is unclear, and whether it can be applied consistently is uncertain. Specifically, there are concerns about the applicability of sustainability-related risk management for partners in the value chain given that it is challenging to manage sustainability-related risk arising from foreign subsidiaries and businesses.

In addition, a significant number of domestic SMEs, which are vendors or partners in the value chain, have not yet sufficiently prepared for ESG management, so it will be a significant burden.

Our suggestion is that, considering the requirements of the EU Directive on Corporate Sustainability Due Diligence, the ISSB might limit the boundaries of the value chain to those of the 'major supply chain' which has a certain transaction volume affecting the sustainability of the reporting entity.

(c) We suggest that the meaning of 'control' used by the entity in the assets and the investments controlled by the entity should be clarified (refer to examples in paragraphs 40(b)[23] and 40(c)[24]). Specifically, it is unclear whether the concept of 'control' in the ED is identical to 'control' in

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[20] E.g., disclosing in notes about the reporting entity during the grace period.
[21] As suggested in the comment for the question 1, it is necessary to include relevant guidance corresponding to the IFRS 1 first-time adoption standards for entities that apply the ISSB standards for the first time.
[22] ISO 2600 Paragraph 2.22 states that in certain cases, supply chain is understood to be identical to the value chain.
[23] *The assets it controls*
[24] *Investments it controls, including investments in associates and joint ventures*

IFRS 15[25]

Question 6—Connected information (paragraphs 42–44)

The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

(b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

[FSC and KAI's comment]

(a) Providing additional guidance and illustrative examples is needed. In considering the connectivity among sustainability-related risks and opportunities, it is not clear which sustainability-related risks and opportunities should be addressed. To be specific, it is ambiguous whether to consider the connectivity between significant sustainability-related risks and opportunities identified and judged to be material, or whether to disclose all effects derived from one sustainability-related risk and opportunity. It is also necessary to consider providing a variety of illustrative examples like in IFRS Accounting Standards (e.g., IFRS 10, IFRS 15, etc.) in order to clarify the connected information. We are also concerned about the effectiveness of an entity's self-analysis of the correlation[26] of all significant sustainability risks and opportunities.

(b) We generally agree with the requirements; however, it will be helpful to provide more specific

[25] In IFRS 15, *Control* of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

[26] E.g., climate change is linked to sustainability-related risks and opportunities in all fields, such as 'green products', 'resource circulation', 'origin change', and 'worker safety and health.'

guidance and application examples for further explanation. Specifically, in connection with financial statements, additional guidance is required on whether quantitative information should be disclosed to explain the connected information or whether qualitative information is sufficient. In addition, it is necessary to clarify the relationship between the relevant information requirements and the effects on the financial position, financial performance, and cash flow (see paragraph 22[27]) in the core content and strategy. (An explicit description of these relationships should be stated in the BC). It is also necessary to consider providing various examples as mentioned in (a).

Question 7—Fair presentation (paragraphs 45–55)

The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a

[27] *An entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant sustainability-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period.*

sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

[FSC and KAI's comment]

(a) We believe that the proposal is generally clear. However, specific conditions and examples of the characteristics of sustainability-related risks and opportunities considered in aggregating or disaggregating information are required. In some case, entity's sustainability risks are offset by aggregation of information, or it may not be material to the entity as a whole.

(b) We generally agree with the proposals; however, it is necessary to clarify whether the entity should consider all of the standards presented in conjunction with the IFRS disclosure standards listed in paragraph 51[28] to identify sustainability-related risks and opportunities. If the entity must consider all aspects, it can place an excessive burden on the entity in identifying sustainability-related risks and opportunities. In addition, it is necessary to clarify the priorities related to the application of the reference standards since there are differences[29] in the disclosure content according to the reference standards.

On the other hand, with regards to the guidance available for reference, it is not necessary to limit to a standards-setting body designed to meet the needs of general purpose financial reporting

[28] *Disclosure topics in the industry-based SASB Standards … sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies*

[29] The scope 1, 2, and 3 are all required in the ISSB S2 cross-industry metrics category, while the SASB steel producer industry standard metrics only require the disclosure of Scope 1.

users. Paragraph 51 refers to the latest releases[30] of other standard-setting organizations designed to meet the needs of general purpose financial reporting users that can be referenced to identify sustainability-related risks and opportunities.

However, according to paragraphs BC 31, 32, 76, and 79, investor-focused disclosure information is expected to overlap substantially with the information required by multiple stakeholders (or public policy). Furthermore, we should also consider IFRS Foundation integrating CDSB and VRF. Therefore, when identifying sustainability risks and opportunities, it is more preferable to refer to pronouncements of other standard-setting bodies regardless of the purpose but to require that the purpose and scope of IFRS S1 be taken into account.

BC 31 (Sustainability-related financial information) The focus of the Exposure Draft is on information relevant to users' understanding of enterprise value. The emphasis on sustainability-related risks and opportunities that inform an assessment of enterprise value distinguishes sustainability-related financial information from broader, multistakeholder reporting efforts focused on an entity's contribution to sustainable development. This separate emphasis, in turn, can be helpful:

(a) in allaying concerns that the Foundation has broadened its scope beyond investor-focused disclosure to cover the broadest possible range of sustainability issues; and

(b) in confirming that IFRS Sustainability Disclosure Standards are conceptually and practically complementary to—but not a replacement for—reporting on an entity's significant impacts on people the environment and the economy.

BC 32 Nevertheless, the <u>type of information</u> required to meet these complementary purposes is expected to <u>overlap significantly</u> (see paragraph BC76).

BC 76 (Dynamic materiality) If approved, the Exposure Draft proposals would require an entity to reassess its materiality judgements at each reporting date to take account of changed circumstances and assumptions. The material sustainability-related financial information disclosed by a reporting entity might change from one reporting period to another as circumstances and assumptions change and as materiality judgements and the assessments of enterprise value by users of general purpose financial reporting evolve. <u>The risks and</u>

[30] Standards such as GRI, which focuses on multiple stakeholders will not be applicable.

opportunities that users reflect in their assessments of enterprise value can change from one reporting period to another. Some refer to this as 'dynamic materiality', although that term is not used in the Exposure Draft.

BC 79 (Global baseline) Having a global baseline of ISSB Standards enhances global comparability. It also ensures that when ISSB requirements change, they change for all entities applying the relevant Standard. The information required by IFRS Sustainability Disclosure Standards is likely to overlap substantially with the information required for public policy reasons not least because the information that is relevant to society is likely to be relevant to investors in assessing enterprise value.

Question 8—Materiality (paragraphs 56–62)

The Exposure Draft defines material information in alignment with the definition in IASB's Conceptual Framework for General Purpose Financial Reporting and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity.

However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing

that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction. (a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not? (b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not? (c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why? (d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

[FSC and KAI's comment]

(a) We agree that the definition and application of materiality are generally clear in the context of sustainability-related financial information. Specifically, we support defining materiality in the IFRS Sustainability disclosure standards since the concept of materiality may differ in situations where different accounting standards apply. However, it is unclear whether there is a conceptual difference between the terms 'significant' and 'material' used in the ED. In the case that they have the same concepts, it is necessary to use single term. If they are defined differently, we suggest IFRS S1 explains them respectively.

(b) We generally agree with the proposal; however, the following concerns have been raised in the practical application.

First, the concept of dynamic materiality specified in BC paragraph 76 of IFRS S2 is to reassess the materiality at each reporting time. Due to such process, the significant sustainability-related financial information may differ_from one reporting period to another. Given that this new concept is different from the concept of materiality applied when preparing for financial information, it is expected to be challenging to apply in practice.

Second, IFRS S2 sets out seven cross-industry metrics categories that should be disclosed for all entities; however, on the condition that the information to be disclosed is not material, it is not required to disclose. Likewise, if a particular company determines that some of the cross-industry metrics are not material, it may not disclose the information. In this case, it is necessary to clarify the relationship between the material judgement and the cross-industry metrics because the results may differ from the purpose of the disclosure of the cross-industry metrics, which is to compare the impact on the evaluation of the enterprise value regardless of industry.

(c) The guidance of the current Illustrative Guidance in the ED does not seem to provide sufficient examples for an entity to judge materiality. In the case of materiality judgement in IFRS S1, the relevant practice statement (e.g., practice statement 2 'Materiality Judgements') can be used since it is defined consistently with the definition of materiality presented in IAS 1. However, IFRS Practice Statement 2 'Materiality Judgements' presents a four-step process focusing on the factors that an entity should consider when determining materiality.

Process	Explanation
Step 1—identify	An entity identifies information about its transactions, other events and conditions that primary users might need to understand to make decisions about providing resources to the entity
Step 2—assess	An entity assesses whether the potentially material information identified in Step 1 is, in fact, material. The following paragraphs describe some common 'materiality factors' that an entity should use to help identify when an item of information is material. These factors are organised into the following categories: (a) quantitative and (b) qualitative—either entity-specific or external *Quantitative*: Examples include measures of the entity's revenues, the entity's profitability, financial position ratios and cash flow measures. *Qualitative*: An entity-specific qualitative factor is a characteristic of the entity's transaction, other event or condition. Examples of such factors include, but are not limited to: (a) involvement of a related party of the entity; (b) uncommon, or non-standard, features of a transaction or other event or condition; or (c) unexpected variation or unexpected changes in trends. In

	some circumstances, the entity might consider a quantitatively immaterial amount as material because of the unexpected variation compared to the prior-period amount provided in its financial statements.
Step 3—organise	Classifying, characterising and presenting information clearly and concisely makes it understandable
Step 4—review	An entity needs to assess whether information is material both individually and in combination with other information in the context of its financial statements as a whole. In performing this review, the entity also considers whether the financial statements provide a fair presentation of the entity's financial position, financial performance and cash flows.

In general, 'quantitative factors' can be used to determine the materiality of financial information but given that sustainability-related information is mainly composed of qualitative information, a thorough explanation (guidelines) is required; otherwise, it will be challenging for preparers to apply these quantitative criteria. Given the nature of sustainability-related information, we suggest an explicit description of which details differ from the existing IFRS 2 'Materiality Judgements' and what additional considerations are required.

A specific explanation (guidelines) for determining materiality may be useful to users in that disclosure request concerns how the company assessed materiality-quantitative and qualitative factors, during materiality assessment. Paragraph BC 66 intends to provide greater transparency in the assessment of materiality performed by the entity through disclosing an identified industry, as the disclosure about the assessment of materiality might become a boilerplate.

BC 66 <u>By disclosing the industry or industries that an entity has identified</u> as being applicable, the Chair and Vice-Chair intended that <u>greater transparency would be provided about the materiality assessments that an entity has made</u>. In particular, it would be apparent if an entity did not disclose a metric that is required to be provided for an entity in that industry, subject only to materiality. The Exposure Draft does not propose a disclosure about <u>how materiality assessments have been made</u> as there was concern that such disclosures may be boilerplate.

However, if a detailed explanation (guidelines) of the materiality judgement is presented, it is unlikely to be provided a boilerplate disclosure, as the entity's specific factors should be considered when assessing materiality. In addition, given that there is a lack of specific guidance on sustainability issues/topics other than climate, and where an entity does not disclose material relevant metrics due to the omission, disclosing an industry identified by the entity as mentioned in paragraph BC 66 alone makes it difficult for users to understand how the entity assessed its materiality. Understanding an entity's materiality judgement through the disclosure of the industry identified is an approach that is applicable only to the disclosure topics of the SASB standard.

In other hands, given that paragraph 57[31] requires 'low-probability and high-impact outcomes' to be included, how to consider both probability and impact should be explained. Furthermore, it is necessary to clearly reflect on whether there are additional considerations compared to the initial assessment even in cases of reassessment the materiality due to changes in business circumstances and assumptions.

(d) We believe that additional analysis and review are required. We understand that the requirements relating to legal and regulatory prohibitions in the ED indicate that in case a disclosure of certain information is illegal in the jurisdiction, such information does not need to be disclosed.

Some agree with the proposal. They mentioned that establishing ISSB standards in consideration of all jurisdictional legislation and regulatory requirements involves considerable times and efforts, hindering establishing ISSB standards in a timely manner. But it is necessary to clarify the implications of the local legal and regulatory 'prohibit' requirements described in paragraph 62[32] of this Exposure Draft, taking into account the 'permit' of local laws and regulations described in paragraph IG9 (although it is not included in the standards). It is also necessary to consider the potential legal issues between headquarters and foreign subsidiaries or businesses due to conflicting laws and regulations (because they are operated in diffident jurisdictions.)

IG9 Hence, an entity that wishes to state compliance with IFRS Sustainability Disclosure Standards cannot provide less information than the information required by those Standards, even if local laws and regulations permit it to do so.

[31] Paragraph 57. *<u>Material</u> sustainability-related financial information provides … <u>It can include information about sustainability-related risks and opportunities with low-probability and high-impact outcomes.</u>*

[32] *An entity need not disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information.*

62 An entity need not disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. If an entity omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction.

In addition, the following concerns have been expressed:

First, the IFRS Sustainability Disclosure Standards (1) are a *global baseline* to meet investors' information needs and (2) are *compatible* with jurisdictional requirements for multi-stakeholders. The concept of a global baseline is to improve the international comparability of sustainability-related information with minimum requirements, providing useful information to investors, hence enabling efficient allocation of resources in the global capital market. However, this requirement in the ED seems to conflict with the concept of a global baseline approach pursued by ISSB standards.

Second, it is necessary to clarify whether the meaning of *'prohibition'* can be interpreted as some disclosure requirements of the ISSB standard to be selective requirements in certain jurisdictions. The SEC's Climate Disclosure Amendment does not require all entities to disclose Scope 3 (only when material, and SMEs are exempt from disclosure). Therefore, it is necessary to apply it to paragraph 62 to clarify whether it is possible to claim that the relevant U.S. entities have complied with the ISSB standards. The possibility of the intentional prohibition on material requirements for achieving global sustainability cannot be ruled out in certain jurisdictions as well.

Question 9—Frequency of reporting (paragraphs 66–71)

The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

[FSC and KAI's comment]

We agree with the overall proposal. Given the connectivity with financial information, we agree that sustainability-related financial information should be provided in the same period as financial reporting and that such measure provides useful information to users. However, it is necessary to examine the disclosure system and circumstances of each country in detail since a considerable amount of preparation time is required for system construction and system improvement for companies to be fully prepared. In fact, in the case of Korea, business reports including financial statements are provided for public by the end of March on a mandatory basis. On the contrary, sustainability management reports, which are currently prepared on a voluntary basis and mostly based on the GRI standards, are generally submitted after July (based on the submission date self-disclosed to the Korea Exchange). Also, Companies emitting greenhouse gases are certified by the Ministry of Environment at the end of April.

If this is a worldwide issue, we propose an approach to improve the acceptability of companies by revising the criteria to report within a certain period of time rather than to report simultaneously with financial reporting, and to induce companies to report both sustainability-related disclosure information and financial information simultaneously through jurisdictional policies.

In addition, as some metrics (e.g., Scope 3 of financial sectors) should be measured and generated by using current financial statements or data from relevant companies, it is difficult to disclose such information simultaneously with relevant financial statements. Therefore, the ISSB needs to consider providing exception on those metrics, allowing them to be provided after relevant financial statements are issued and the fact and reasons should be described.

Question 10—Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not?

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

[FSC and KAI's comment]

(a) We generally agree with the proposals; however, we propose the following comments.

Considering the purpose of sustainability financial disclosure and the connectivity between financial information, we believe that it is useful for users to find both financial information and sustainability-related information under general purpose financial reporting. However, in Korea, it is difficult to add a separate disclosure form due to a standardized business report (general purpose financial reporting) under the law. In addition, requiring sustainability-related disclosure provided in business report can give rise to an entity's high litigation risk because of the legal disclosure responsibility borne by the entity. Therefore, we suggest allowing companies to choose their preferred option to provide sustainability-related financial information between in separate report and general purpose financial report (business report) considering maximizing relevance and faithful representation.

(b) In the case of Korea, the contents and forms included in the general purpose financial reporting (business report) are stipulated in the Act.[33] If a separate disclosure form is to be added, the relevant laws must be amended.

(c) We generally agree with the proposals; however, it is necessary to clarify the meaning of 'on the same terms.' IAS 34 'Interim Financial Reporting' also allows users to cross-reference other reports if they are available simultaneously on the same terms as their interim financial statements. The 'same terms' in IAS 34 relate to access to the referenced data. Therefore, it is necessary to clarify whether the 'same conditions' is related to access to data, as in IAS 34 (meaning that only data in general purpose financial reporting are cross-referenceable).

IAS 34 BC10
In response to the comments received on the 2013 Annual Improvements Exposure Draft the Board decided to clarify what was meant by the requirement that disclosures incorporated by cross-reference should be made available 'on the same terms' as the financial statements. <u>This means that users of the financial statements should have access to the referenced material on the same basis as they have for accessing the financial statements from where the reference is made.</u>

(d) We agree that the proposal is generally clear.

[33] Capital Markets and Financial Investment Services Act, the Regulation on Securities Issuance and Disclosures, etc.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable—ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

[FSC and KAI's comment]

(a) The concept of estimates[34] and error correction[35] in the ED is the same as those in IAS 8.

However, while IAS 8 considers the change in measurement criteria as a change in accounting policies, the current ED does not mention how the change in measurement criteria should be considered, and it is also necessary to clarify whether the change in measurement criteria corresponds to a change in estimation. In addition, it should clarify whether the measurement

[34] IFRS S1 Paragraph 89. *Estimates are approximations that an entity may need to revise as additional information becomes known.*
[35] IFRS S1 Paragraph 86. *Error Correction includes the effects of mathematical mistakes, mistakes in applying the definitions for metrics and targets, oversights or misinterpretations of facts, and fraud.*

criteria cannot be changed except when additional information is known (development and application of new measurement methods).

(b) We generally agree with the proposals. If the estimate is updated, it may be useful for the user to apply the updated estimate and compare the historical information retrospectively. However, there is a practical burden for preparers since past information must be collected and regenerated again, deteriorating the reliability of the information due to frequent re-disclosure.

(c) We agree that considering the connectivity with financial information, it should be consistent with financial data and assumptions. However, it is necessary to clearly state the level of 'to the extent possible[36]' and to give specific examples when it is not possible. In addition, it is necessary to explicitly explain how the degree of possibility differs from the 'unapplicable[37]' or 'unless it is possible to do[38]' used in other requirements in the Exposure Draft.

Question 12—Statement of compliance (paragraphs 91-92)

The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

[FSC and KAI's comment]

[36] E.g., there is a time horizon difference between the period of assumptions considered in estimating fair value or impairment of equity instruments (e.g., 5 to 10 years) and the period of assumptions used in estimating short, medium, and long-term effects (30 years).

[37] IAS 8 paragraph 5 Impracticable. *Applying a requirement is impracticable when the entity cannot apply it after making <u>every reasonable effort</u> to do so.*

[38] IFRS S1 paragraph 22. *An entity shall disclose quantitative information unless it is unable to do so.*

We generally agree that all disclosure requirements must be complied with to claim compliance with the IFRS Sustainability Disclosure Standards. However, it is necessary to discuss which independent agency should verify the compliance and how to confirm whether the jurisdictional laws and/or regulations prohibit the disclosure of specific information.

> **Question 13—Effective date (Appendix B)**
>
> The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.
>
> (a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.
>
> (b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

[FSC and KAI's comment]

(a) In order for an entity to disclose sustainability-related financial information, it is necessary to improve not only the entity's preparation time but also jurisdictional disclosure system, so a sufficient preparation period is required. (Please refer to comments for the IFRS S2 Question 14). The following matters must be prepared or addressed for implementing ISSB standards.

- Establishment of a disclosure system and an integrated risk management system (see comments for the IFRS S1 Question 9)
- Establishment of a process for generating information on reporting companies based on consolidation basis
- Establishment of a management system for disclosure information (considering the participation of SMEs in the supply chain)
- Establishment of a governance detention system (e.g., strengthening the capacity of directors)
- Amendment of laws (e.g., revision of business report contents and format) (see comments

  for the IFRS S1 Question 10(b))
- Improvement of the system (e.g., in relation to the greenhouse gas emission trading system, when to certify emissions) (see comments for the IFRS S2 Question 9)

(b) We agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application. Indeed, in the case of the adoption of IFRS Accounting Standards in the past, it was relatively easy to provide comparative information even if the new accounting standards were adopted because most of the companies had already established a system for accounting information using local GAAP. In the case of sustainability standards, it is appropriate to establish relief measure in the first year because the process of establishing an initial system is necessary in the absence of the existing one.

Question 14—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

[FSC and KAI's comment]

Please refer to our comments for Question 8.

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 Climate-related Disclosures Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

[FSC and KAI's comment]

We do not have any comments on this.

Question 16—Costs, benefits and likely effects

The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

[FSC and KAI's comment]

(a) The expected benefit-costs of applying the IFRS Sustainability Disclosure Standard are as follows:

- (Benefit) It provides comprehensive information for investors to better understand the entity's sustainability-related risks and opportunities.

- (Cost) Since circumstances of individual companies vary from each industry, companies must determine and analyse significant sustainability. Excessive work costs are expected to incur in identifying significance, analysing, and verifying information connectivity. For example, additional costs will incur if an entity were to receive a consulting from an external institution to avoid potential misunderstandings in the process of assessing sustainability itself.

(b) Especially, since material sustainability information is constantly changing, the determination and analysis of sustainability act as an ongoing sustainability cost factor.

Question 17—Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

(a) Global Baseline

For the ISSB standard to be used as a global baseline, it is necessary to consider various international situations[39] and work closely with regulators of each country. In particular, the ISSB needs to establish proper channel for cooperation with capital market authorities in G20 such as Korea, China, India, and Australia, in addition to the G7 countries.

(b) Terms used in IFRS Accounting Standards

Several expressions that were open to interpretation at the time of application in the Accounting Standards are used in the Exposure Draft as well (e.g., same terms, practically impossible, etc.). It is necessary to explicitly describe the definition and application of the terms since the context and circumstances of financial and financial statements relating to sustainability may vary, even with the same expression.

(c) Concerns about the practical application of IFRS S1

IFRS S1 contains conceptual and comprehensive content, as a standard designed based on several

[39] For instance, the EU and UK plan to use ISSB criteria as a baseline for their disclosure of sustainability information. The U.S. SEC allows selective disclosure of certain climate-related indicators based on their eligibility and materiality.

conceptual frameworks, including IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors.’ In addition, the entity must prepare requirements such as the location of information, frequency of reporting and reporting entity in the general features of IFRS S1 in conjunction with IFRS 2 which is a specific topic-related criterion. In particular, rather than requiring disclosure of "all" significant sustainability-related risks and opportunities, an entity has to identify significant sustainability-related risks and opportunities that are not specified in criteria other than climate (IFRS S2). As a result, companies are expected to face significant challenges in applying it to practice. We are also concerned about the increased corporate burden.

Appendix A. Outreach activities related to the ISSB EDs in Korea

Korea's outreach activities in relation to the ISSB EDs have been led by the KAI with the support of the FSC, which is a government agency with statutory authority over financial policy and regulatory supervision in Korea.

The KAI together with the FSC have conducted the following outreach activities to engage and discuss with domestic stakeholders[40] to provide detailed feedback on the proposals of the ED, forming a representative opinion on the EDs for submission to the ISSB.

1. **(Early of April 2022)** The KAI has translated the ISSB EDs and related documents, including Snapshot, and posted them on the website of the KAI to help Korean stakeholders understand the EDs. The KAI entered into a translation agreement with the IFRS Foundation for the ISSB EDs as well as related due process documents.

2. **(April - early of May 2022)** The KAI analysed the EDs and prepared its preliminary views on the questions in the EDs. The KAI initially discussed these issues with the FSC and other major institutions (Korea Exchange, Financial Supervisory Service, and Korea Capital Market Institute) related to the sustainability disclosure system in Korea.

3. **(13TH of May 2022)** Both the KAI and FSC issued a joint press release to collect views from domestic stakeholders on the ISSB EDs (comments due by 10 June) and posted related materials[41] on the website.

   ① The FSC made official requests to relevant government bodies (Ministry of Economy and Finance, Ministry of Trade, Industry and Energy, Ministry of Environment, etc.) for their official views.

   ② The KAI made official requests to 21 major domestic stakeholders (Financial Supervisory Service, Korea Exchange, The Korea Chamber of Commerce & Industry, Korea Listed Companies Association, KOSDAQ Listed Companies Association, etc.) for their official views.

4. **(May - June 2022)** In March 2022, the KAI established the Sustainability Standards Advisory Group (SSAG), consisting of 14 experts from companies, investors, and related institutions, which are related to the disclosure of sustainability information. The SSAG held three meetings to discuss the EDs in depth.

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[40] See Appendix 2

[41] Korean-translated version of ISSB EDs and the original version of the EDs, preliminary views on questions in the EDs with review reports on the EDs, and the opinion submission form

5. **(Early of July 2022 and after)** After the deadline for submitting the domestic opinions, the FSC and KAI jointly hold a roundtable meeting with major stakeholders as well as government bodies to discuss the collected opinions and finalise the comment letter to submit to the ISSB.

6. **(End of July 2022)** The KAI and FSC submitted a joint comment letter to the ISSB and will continue to discuss with the IFRS Foundation and ISSB various matters related to the ISSB standards in Korea

Appendix B. Organisations engaged in the outreach activities and submitted opinions on the ED to the FSC and KAI

1. Sustainability Standards Advisory Group

(1) Financial Supervisory Service: The Financial Supervisory Service (FSS) was established as Korea's integrated supervisory authority under the Act on the Establishment of Financial Supervisory Organizations. The Act created the FSS as a specially legislated quasi-government supervisory authority and charged it with financial supervision across the entire financial sector.

(2) Korea Exchange: Korea Exchange (KRX) is the sole securities exchange operator in Korea. It was created through the integration of the Korea Stock Exchange, Korea Futures Exchange and KOSDAQ Stock Market under the Korea Stock & Futures Exchange Act. As of Dec 2020, KRX had about 2,400 listed companies with a combined market capitalization of 2.1 trillion USD.

(3) Korea Corporate Governance Service: As a non-profit corporation, it establishes and revises codes of practice for the development of the Korean capital markets, and carries out ESG evaluations, proxy analysis, and policy research.

(4) KB Financial group: It is the world's 60th-largest financial group and the largest Korean financial group. Its subsidiaries provide a full range of financial services, including banking, securities, life insurance, and investment banking (a total of 13 direct subsidiaries).

(5) Samsung Life Insurance: It is the largest insurance company in South Korea and a subsidiary of the Samsung Group. It engages in the life insurance and financial services business

(6) Shinhan Financial Group: It is one of Korea's Big Five financial groups. Its subsidiaries provide a full range of financial services, including banking, securities, life insurance, and investment banking (a total of 17 direct subsidiaries).

(7) LG Chem: It is the largest Korean chemical company and is the 7th chemical company in the world in 2021 announced by C&EN. LG Chem has three main business areas: Basic materials and chemicals, Information technology, and electronics materials and Energy solutions.

(8) POSCO: It is a Korean steel-making company and has an output of 41,000,000 metric tonnes of crude steel in 2020, making it the world's sixth-largest steelmaker by this measure. It is named as the 194th world's largest corporation by the Fortune Global 500 in 2020.

(9) NAVER: It is a global ICT company, providing Korea's number one search portal NAVER and its subsidiaries and affiliates provide services. It was ranked as the 9th most innovative company by Forbes and the top 6th Future 50 company by Fortune magazine in 2018.

(10) SK: It is the second-largest chaebol in Korea and is composed of 186 subsidiary companies. While its largest businesses are primarily involved in the chemical, petroleum, and energy industries, it also owns Korea's largest wireless mobile phone service provider.

(11) Deloitte Anjin: It is the Korean member firm of Deloitte TTL. It has over 2,000 devoted professionals.

(12) Samil PwC: It is the Korean member firm of PricewaterhouseCoopers. It has over 3,000 devoted professionals.

(13) Shin & Kim LLC: It is a full-service law firm in Korea and has over 700 professionals comprising domestic and foreign lawyers, accountants, patent attorneys and tax accountants.

2. Government Ministries

(1) Ministry of Trade, Industry and Energy: It is concerned with regulating some economic policies, especially regarding the industrial and energy sectors. The ministry also works to encourage foreign investment in Korea

(2) Ministry of Environment: It is in charge of environmental protection.

(3) Ministry of SMEs and Startups: It is dedicated to supporting the innovation, growth and security of small-to-medium sized and micro enterprises.

(4) Ministry of Agriculture, Food and Rural Affairs: It is involved in affairs related to the development of agricultural industry and distribution of agricultural products.

3. Major domestic stakeholders

(1) the Korean Institute of Certified Public Accountants: It is the sole organization representing the profession in Korea and any individual who wishes to use the designation of and practice as a Certified Public Accountant (CPA) must be a member.

(2) Korea Listed Companies Association: It is a non-profit organization that provides consulting services to companies listed on the Korean Stock Exchange. The organization offers research report publishing, accounting and legal, and data collection and statistical analysis services.

(3) The Korea Chamber of Commerce and Industry: It is established as a public legal entity by a special act, the KCCI is composed of 73 regional chambers of commerce and more than 100 major institutions and organizations that are related to commerce and industry.

(4) **Korea Productivity Center:** It is established to encourage the productivity of industrial sites in an efficient and systematic matter.

(5) **The Korea Federation of Banks**: It has been acting as a representative of financial institutions conducting banking and related businesses in Korea, serving as the voice of Korea's banking industry.

(6) **Korea Enterprises Federation:** It has played a key part in industrial relations by representing businesses in Korea, and has been dedicated to improving Korean labor laws, regulations and practices for the past 50 years.

(7) **the Federation of Korean Industries:** It is the major economic organization in Korea and has more than 600 members among Korean industries and companies. Leading conglomerates such as Samsung, Hyundai, SK and LG Corporation have been served as the Chairman of FKI

(8) **CJ CheilJedang**: It is the largest Korean food company that manufactures food ingredients, ambient, frozen and chilled packaged food products, pharmaceuticals and biotechnology. Its brands include Bibigo, Gourmet and Hatbahn.

(9) **General Insurance Association of Korea**: It is a non-profit trade organization that acts as a representative of the general insurance industry. Its main businesses involve improving the general insurance system, managing insurance solicitors and other relevant affairs.

(10) **DB Insurance Co., Ltd**: It is a company that specializes in providing general insurance services, such auto and pension insurance. It is the first automobile insurance company to be established in South Korea.

(11) **National Agricultural Cooperative Federation**: It is an organization of multifunctional cooperatives that aims to improve the economic status of its members by providing marketing, banking, and agricultural extension services.