We are pleased to comment on the Exposure drafts on IFRS S2 *Climate-related Disclosures.* 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 *Climate-related Disclosures*

Questions for respondents

Question 1—Objective of the Exposure Drafts

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

- to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
- to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
- to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

(b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

[FSC and KAI's comment]

[1] See the appendices to the IFRS S1 comment letter.

We generally agree with the objective of the ED.

Question 2—Governance

Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate- related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities.

The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The related TCFD's recommendations are to: describe the board's oversight of climate-related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.

Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

[FSC and KAI's comment]

We generally agree with the proposed disclosure requirements, but we have the following suggestions. Paragraph 6[2] states that in cases where the oversight of climate-related risks and opportunities is integrated with that of other sustainability-related issues, integrated governance disclosure is

[2] *…When its oversight of sustainability-related risks and opportunities is managed on an integrated basis, providing Integrated governance disclosures rather than separate disclosures for each significant sustainability-related risk and opportunity would reduce duplication.*

permitted. This will be common requirements for sustainability-related issues other than Climate-related. Therefore, stakeholders suggested that it is necessary to consider providing specific guidance (e.g., integration principles, integration methods, integration disclosure examples) for integrated governance disclosures in IFRS S1, rather than repeatedly requiring it in each thematic standard to be established in the future. This could address the issue of duplicate disclosures between IFRS S1 and IFRS S2 (and other thematic standards). However, few stakeholders said that if specific guidance for integrated governance disclosure is described only in IFRS S1, it might hinder the efficiency of preparers' access to the requirement.

In addition, material information may become diluted or less comparable depending on the level of integration for each reporting entity. In addition, in case sustainability-related issues which have different characteristics are disclosed on an integrated basis, supplementary measures should be considered since they may reduce the usefulness of information for uses. In particular, it is also necessary to explicitly require separate disclosure of information on individuals in charge of the thematic standard (e.g., climate-related) governance.

Question 3—Identification of climate-related risks and opportunities

Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

[FSC and KAI's comment]

(a)~(b) The proposed requirements are clear and we generally agree with the proposals. In identifying significant issues among a wide range of climate-related risks and opportunities, the use of disclosure topics in industry disclosure requirements (Appendix B) is generally expected to alleviate the company's difficulty in identifying those issues. However, since there are many disclosure topics defined by industry-based requirements, we expect entities to bear a significant burden due to difficulties in establishing additional systems and generating information that applies to both cross-industry requirements and industry-based disclosure requirements. Additional consideration is also needed as industry disclosure requirements (SASB disclosure topics) may not cover sufficient industry-based climate risks.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the

Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

[FSC and KAI's comment]

(a) We generally agree with the proposed disclosure requirements.

(b) We agree with the proposals in ED which states "providing quantitative information unless an entity is unable to provide the information quantitatively." We believe that requiring qualitative information regarding climate-related risks and opportunities centered within the value chain will bring about boilerplate disclosure.

Question 5—Transition plans and carbon offsets

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate-related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

(c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

[FSC and KAI's comment]

(a) We agree with the proposed disclosure requirements.

(b) We agree with the proposals in the ED.

(c) We generally agree, but the scope of information on carbon offset required by companies seems to be unclear. It is necessary to establish a detailed description on the scope, including whether carbon offsetting only accepts compulsory credit (Emission Trading, Clean Development Mechanism, and Joint Implementation) or encompasses voluntary credit transactions (marketing or publicity). In particular, in a transitional situation where the voluntary carbon emission market is being established, establishing a clear scope is essential because the certification, source, and price of carbon credits for carbon offset vary widely. In addition, information regarding the carbon offset status of the entity, such as the source (production or purchase path) of the carbon credit used for carbon offsetting and the certification authority of the carbon credit should be clearly disclosed. Furthermore, the definition of carbon offset needs to describe specific scope.[3]

(d) We don't have any comments on this.

Question 6— Current and anticipated effects

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

[3] According to the CDP Reporting Guidance, the information on carbon offsetting required by the ISSB is accessed through the Carbon Pricing system, and provides examples (Emission Trading System, Carbon Tax).

The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-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—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

[FSC and KAI's comment]

(a)~(c) The definition and boundaries of quantitative information on current and expected effects are unclear and requirements should be more detailed and clearer. The current definition is unclear in that it does not clearly state whether climate-related risks and opportunities require disclosure of only the "direct" effects on a company's financial performance, financial position and cash flow, or whether they should consider all of the "indirect" effects as well.

It is necessary to provide relevant examples of what quantitative and qualitative information is. Specific guidance is also necessary regarding disclosing financial effects (e.g., clarifying the scope of financial impacts and the meaning of financial position, financial performance and cash flows to be considered). Detailed explanation, examples, and guidance on "unless an entity is unable to provide the information quantitatively" (in conjunction with our comments in IFRS S1) are required as well. Currently, it is unclear whether the phrase indicates that "reliable" quantitative information cannot be provided or whether it is a practical measurement task. However, stakeholders mentioned that it might be more feasible for entities to provide quantitative information on climate-related since climate-related information is relatively reliable to measure compared to other sustainability-related issues.

Question 7— Climate resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity’s analysis of the resilience of its strategy to climate-related risks. These requirements focus on:

- what the results of the analysis, such as impacts on the entity’s decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
    - climate-related scenario analysis; or
    - an alternative technique.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity’s findings from the analysis inform its strategy and risk-management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity’s strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change). Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk mapping with scenarios reflecting different climate outcomes and the severity of their effects.

Although scenario analysis is a widely accepted process, its application to climate-related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and communications, are just beginning to explore applying climate-related scenario analysis to their businesses.

Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing.

Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it discloses similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate-related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

(c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

[FSC and KAI's comment]

(a), (c) We generally agree with the proposals, but it needs to be accompanied by more detailed instructions, explanations, and examples on how to perform them. For example, performing a variety of climate-related scenario analyses (paragraph 15(b)[4]) could be a burden to the company, because it is unclear to what extent scenario analysis should be performed. Too simplified requirements of scenario analysis and alternative techniques can prove difficult when making decisions, and too detailed information can be burdensome for companies.

[4] *Which scenarios were used for the assessment and the sources of the scenarios used … an explanation of why the entity was unable to use climate-related scenario analysis to assess the climate resilience of its strategy*

In addition, preparers will be likely to provide boilerplate disclosure. To address this, application examples based on the scenario analysis currently used and assumptions and inputs used for the analysis should be provided.

(b), (d) We generally agree with the proposals except the following. The ED states that stress test is listed up as one of examples of the alternative method or techniques instead of scenario analysis (stated as an example of BC94 and questions, but not as an example in paragraph 15(b)(ii)(1)[5]). However, it is unclear whether a stress test is an alternative method or technique used instead of scenario analysis or is a special type of the scenario analysis. In the TCFD's scenario analysis guidance, stress test is provided as a special type of the scenario analysis and many domestic stakeholders already use stress test as a form of scenario analysis.

(e) Further considerations should be made to ease the practical burden of performing scenario analysis. Cost incurs due to risk assessment from external agencies since scenario analysis for climate-related is difficult to calculate and manage with most of the company’s internal capabilities. In particular, unlike scenario analysis in IFRS 17, which limits issues to specific industries and entities, scenario analysis of climate-related issues affecting all industries requires using experts from a wide variety of fields. Stakeholders also argued that additional guidance on how to manage these processes should be provided.

Question 8— Risk management

An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity’s enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-

[5] *Single-point forecasts, sensitivity analysis or qualitative analysis*

related risks. This proposal reflects both the view that risks and opportunities can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

[FSC and KAI's comment]

We generally agree with the proposed disclosure requirements. However, as we believe that there is a room to improve for the proposals, we have the following suggestions.

Further clarification is required since the meaning of the "overall risk management process" and "overall management process" described in paragraphs 17(e) and (f) are unclear. For example, it is necessary to explain whether the overall risk management process refers to an enterprise risk management process or a risk management process related to sustainability issues.

In addition, companies already provide disclosure on financial risk management such as credit risk, market risk, and liquidity risk according to the IFRS Accounting Standards, and the current disclosure requirement of risk management system is also related to financial risk management. Therefore, it is necessary to clarify the connectivity between the disclosure of the risk management process related to climate (and other sustainability issues) and financial risk disclosure.

Relevant guidelines for the processes or procedures used to identify, assess, and prioritize opportunities (see paragraph 17(c)) also seem to be significantly insufficient (compared to those related to risk) so that it would be difficult for the entities to apply them.

More concrete and practical examples should also be provided for disclosure of integrated risk management because paragraph 18 in the ED suggesting that climate-related risks and opportunities are managed on an integrated basis merely duplicates concepts without any detailed explanation and relevant examples and cannot serve as practical guidelines.

Lastly, in terms of risk management, we propose that the entities should identify and disclose the types of risks. Identifying and disclosing the types of risks (legality, regulation, technology and market, etc.) will help users to understand the actual risk management capabilities of the entity.

Question 9— Cross-industry metric categories and greenhouse gas emissions

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metrics and metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

- indicative of basic aspects and drivers of climate-related risks and opportunities;
- useful for understanding how an entity is managing its climate-related risks and opportunities;
- widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and
- important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- separately Scope 1 and Scope 2 emissions, for:
    - the consolidated accounting group (the parent and its subsidiaries);
    - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and
- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity’s carbon footprint.

Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy-efficient products or seek to enable or incentivise upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity’s entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs.

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes non- mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

(b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and

(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

(f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

[FSC and KAI's comment]

(a)~(c), (e) We generally agree with the proposals in the Exposure Draft.

(d) We generally agree with the proposals. Since the existing methodology is already calculated based on CO_2 equivalent, it is considered to provide sufficient information usefulness, and disaggregation by greenhouse gas component does not appear to be essential in terms of cost-benefit. However, since the U.S. SEC also selectively allows methods other than the GHG protocol in calculating greenhouse gas emissions, IFRS S2 also consider allowing companies to choose methods other than the GHG protocol. (If the ED allows other methods except the GHG protocol, it should be stated more clearly.) In addition, the GHG protocol allows both the equity allocation approach and the operation control approach when measuring Scope 1 and 2, so the further review is needed to ensure that the methodology is unified in consideration of the connectivity with financial information.

(f) We have the following suggestions on the requirements.

First, further comprehensive consideration and review of jurisdictional disclosure regulations and the cost-benefit analysis should be required. Stakeholders argued that Scope 3 emissions calculations incur significant corporate burdens (e.g., GHG inventory establishment, establishment of GHG emissions calculation system, and risk management based on such information, etc.).

We also propose considering the application of SASB’s industry-specific approach, considering the current direction of ISSB's standards-setting and the corporate burden of Scope 3's information provision. The ISSB standard has a framework for industry-based disclosure requirements derived from the SASB standards, and the SASB's industry-specific approach aims to reduce the corporate burden from a cost-benefit point of view by only considering sustainability information is that financially material to a specific industry. Adopting an industry-based approach may be a way to reduce the unnecessary burden on the entities for Scope 3 calculation. Therefore, we suggest that disclosure of the Scope 3 information should be required only in specific industry like carbon-intensive industry by applying current approach of financed emissions in financial industry to other industries. In addition, the amount and intensity of each Scope (1,2 and 3) vary by industry, so we also propose disclosure requirements focusing on material Scope emission by industry as well.

We think that the scope of the value chain may differ by company, which can alter Scope 3 information, and reduce comparability between companies. Therefore, it is necessary to specify more focused targets for Scope 3 emissions (e.g., major supply chains of a particular size or larger). In particular, small and medium-sized entities (SME) lack awareness of carbon neutrality. Hence, it is also necessary to consider excluding them from Scope 3 emissions disclosure requirements.

Question 10— Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity’s targets compare with those prescribed in the latest international agreement on climate change.

The ‘latest international agreement on climate change’ is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

(b) Do you think the proposed definition of 'latest international agreement on climate change is sufficiently clear? If not, what would you suggest and why?

[FSC and KAI's comment]

(a) We agree with the proposed disclosure. Since there may be companies that lack climate-related objectives, such companies should disclose their reasons and/or their future plans.

(b) We agree that the proposed definition is sufficiently clear.

Question 11—Industry-based requirements

The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change. Because the requirements are industry-based, only a subset will apply to a particular entity. The requirements have been derived from the SASB Standards. This is consistent with the responses to the Trustees' 2020 consultation on sustainability that recommended that the ISSB build upon existing sustainability standards and frameworks. This approach is also consistent with the TRWG's climate-related disclosure prototype.

The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. However, the requirements included in the Exposure Draft include some targeted amendments relative to the existing SASB Standards. The proposed enhancements have been developed since the publication of the TRWG's climate-related disclosure prototype.

The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents.

Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements.

(a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

(c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

The second set of proposed changes relative to existing SASB Standards address emerging consensus on the measurement and disclosure of financed or facilitated emissions in the financial sector. To address this, the Exposure Draft proposes adding disclosure topics and associated metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).

Paragraphs BC149–BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals for financed or facilitated emissions.

(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

(e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

(f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

(g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

(h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

(i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards.

The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry. Further, they set out standardised measures to help investors assess an entity's performance on the topic.

Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements.

While the industry-based requirements in Appendix B are an integral part of the Exposure

Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49–BC52).

(j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

(k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

(l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

[FSC and KAI's comment]

(a)~(c) We broadly agree on the improvement measures to enhance international applicability for industry-based disclosure requirements. However, issues that reduce comparability or reduce the reliability of information should be considered during the process of improving international applicability.

(d)~(i) Further detailed and comprehensive review should be carried out in regard to the proposals in the Exposure Draft on financial asset portfolio emissions and facilitated emissions, including:

- (Lack of benefits) It is difficult to expect reliable and useful information since there is no single fundamentally optimal methodology for collecting data and allocating weights in the process of calculating financed emissions. In addition, a decrease in comparability is expected due to differences in the estimation methodology and assumptions/variables used. The current proposed guidelines alone will incur costs for information generation to the enterprise, but the resulting benefits (the usefulness of information) will be insufficient. In order to increase the usefulness of financed emissions information, additional guidance needs to be provided to disclose detailed information on the overall process from the information collection stage to the final information generation and the level of assumptions/input variables used.

- (Concerns over excessive cost) It is necessary to discuss the expected cost-benefit effectiveness of the process, as setting up too detailed criteria and disclosure requirements can be costly in practice. In the case of financed emissions, we disagree with defining a specific methodology because it is judged to have no single optimal methodology.

(j)~(l) We generally agree with the industry-based disclosure requirements proposed in the exposure draft, but it is necessary to consider the following in the structure and direction of future standard-setting. We suggest ISSB to identify future benchmarking topics and add industry-based requirements to the found topic-specific criteria, since it includes too many requirements (cross-industry and 77 industry standards) as of now. (The appendices that cover industry-based criteria rather than the text will account for the bulk of the IFRS.) The current exposure draft is structured to cover cross-industry and industry-based requirements in a specific topic (climate) criteria. From the companies' perspective, they need to identify all thematic standards and identify requirements for each industry. The current ED is less applicable and difficult to understand which sustainability issues or requirements are relevant to their company. In summary, companies will be able to apply and understand the standards if IFRS S1 adds 1) cross-industry requirements and 2) major disclosure topics (important sustainability issues) to each industry standard rather than constructing standards by themes.

Question 12—Costs, benefits and likely effects

Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) 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?

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

(c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

[FSC and KAI's comment]

(a), (b) We don't have any comments on the matter.

(c) There are metrics in some disclosure requirements for the cross-industry metric categories that are estimated to be excessive in cost compared to the benefits of the entity. For example, Scope 3 related metrics are burdensome costs compared to their benefits for certain industries or companies (see our comments for Question 9). Also, for companies with low climate sensitivity, there is a possibility that the cost of information generation is greater than the benefits.

Question 13—Verifiability and enforceability

Paragraphs C21–24 of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.

Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

[FSC and KAI's comment]

Though sustainability information is fundamentally difficult to verify[6] and enforce[7] since it relies heavily on managerial judgements, forecasts, and estimates, overall disclosure requirements[8] based on ISSB have proposals to increase the reliability and usefulness of the information provided. However, some requirements still require improvement measures to increase the reliability and verification of information, as noted in the comments on questions 11(d) through (i).

In addition, it is necessary for the ISSB to establish measures to enhance the reliability and verification of disclosure information based on the ISSB standards through sufficient collaboration and discussion in the process.

Question 14—Effective date

Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach.

Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.

[Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires entities to disclose all material information about sustainability- related risks and opportunities. It is intended that [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 *General Requirements for Disclosure of Sustainability- related Financial Information* could take longer to implement.

Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the

6 Verifiable information must be available with "confidence" and if it is unverifiable, the information will not necessarily be useful, but likely contain information that will not be faithfully represented.
7 Many future forecasts that are critical to providing relevant financial information cannot be "directly" verified.
8 E.g., Scenario Analysis for Climate Resilience Assessment Requirements for Disclosure of Scenarios Used, Reasons for Use of Scenarios, Assumptions Used, and Variables Used

Exposure Draft's proposals.

(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*? Why?

(b) 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 in the Exposure Draft.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier, and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

[FSC and KAI's comment]

(a) It is appropriate to implement concurrently with IFRS S1. In case only IFRS S2 is implemented first without the implementation of IFRS S1, the applicability of IFRS S2 would decrease since we cannot consider the general requirements and conceptual elements provided by the IFRS S1.

(b) Major domestic stakeholders stated that the introduction of TCFD recommendations took a considerable amount of time (e.g., about three years). Therefore, it is expected that voluntary application of the IFRS S2 standard, which is structured on a TCFD basis but contains specific requirements, to take more considerable times.

Moreover, more reliable information should be generated in the business report (required statutory disclosure document),[9] due to the risk of litigation. Risk management and system deployment may require a longer preparation period because such require substantial effort, including covering for management cost of their own risk and scenario analyses.

(c) We disagree with setting an effective date for each disclosure requirement within the standard.

[9] Disclosed as part of a general purpose financial report

Certain disclosure requirements are indeed expected to take a longer time to build and respond to the disclosure, but since all requirements are organically linked, it is more appropriate to apply them simultaneously in terms of the usefulness of the information.

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 of sustainability-related financial information, 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 S1 *General Requirements for Disclosure of Sustainability-related Financial Information* 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—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 climate change. 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 the review comments in IFRS S1 Question 14.

Question 17—Other comments

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

[FSC and KAI's comment]

It is necessary to review the interrelationship with domestic laws and regulations. In other words, the relationship between domestic climate legislation and regulatory [10] requirements and the requirements proposed by the exposure draft should be reviewed. Specifically, it is necessary to review the extent to which the exposure draft covers the relevant domestic laws and regulations[11] and gather specific opinions on how to establish such relationships[12] in the future.

[10] Environmental Information Disclosure System under the jurisdiction of the Ministry of Environment, Greenhouse Gas Emission Trading System, and Greenhouse Gas Energy Target Management System.

[11] Other than the information on greenhouse gases and environmental pollutants, domestic legislation and regulations do not address metrics that provide useful information to investors, such as climate-related opportunities and remuneration as in the Exposure Draft. In the case of metrics related to strategies and targets, they are included in the environmental information disclosure system (e.g., vision, strategy, policy, targets for promoting green management) but are voluntary, not mandatory.

[12] Though laws under the jurisdiction of the Ministry of Environment require quantitative information that focuses on external climate impacts, they do not consider financial connectivity. Accordingly, the information is highly likely to be utilized as input variables to the information required by IFRS S2.

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[13] 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[14] 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.

[13] See Appendix 2

[14] 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.