

## 4<sup>TH</sup> GREEN FINANCE TASKFORCE MEETING REVIEWS PROGRESS AND DISCUSSES ADDITIONAL TASKS

The FSC held the 4<sup>th</sup> green finance taskforce meeting with the relevant ministries and financial institutions in a virtual format on December 8 to review the progress made in the financial sector and discuss further tasks. Chaired by FSC Secretary General Lee Se-Hoon, participants went over the implementation of the climate risk management and supervision and key details of the green finance handbook for financial sectors in order to prepare for the recently revised up nationally determined contribution (NDC) target. The meeting also discussed the current environmental, social and governance (ESG) disclosure and assessment system and ways to promote social finance in line with the growth in ESG management and investment.

### **KEY DISCUSSION TOPICS**

#### **I. CLIMATE RISK MANAGEMENT AND SUPERVISION**

The Financial Supervisory Service has introduced a guideline on the management of climate risks in the financial sector, detailing areas such as business environment and strategy, governance structure, risk management and disclosure. The FSS launched a climate risk forum in May 2021 to provide an appropriate venue for facilitating coordination among the relevant government agencies and financial institutions. The FSS has also worked to raise awareness on climate risks via international conference and plans to hold seminars and symposiums in the future. The authorities will work to promote utilization of the climate risk management guideline in the financial sector and share best practice cases with financial institutions in the private sector. In close cooperation with financial companies, the authorities plan to develop a climate economy's scenario in the first half of 2022 and conduct a pilot stress test in the financial sector during the second half of 2022.

#### **II. GREEN FINANCE HANDBOOK FOR FINANCIAL SECTORS**

The five major trade groups in the financial industry have prepared a green finance handbook, providing best practice cases and reference information on financial institutions' green finance strategies. The handbook offers a turning point for financial institutions in the private sector to play a more active role in green finance. The green finance handbook for financial sectors will go through a review period until March 2022 and will be finalized thereafter for publication and distribution across the industry. Taking into account comments from the industry as well as trends in climate-related discussions at home and abroad, the handbook will be revised and updated once every year.

### **III. ESG DISCLOSURE AND ASSESSMENT**

According to data compiled by the Korea Exchange, in 2021, 32 more companies (total 70 companies) were found to be engaged in ESG disclosures on a voluntary basis compared to the previous year. Their use of the ESG disclosure criteria (17 out of 21 criteria) reached about 81 percent on average. While continuing to promote voluntary disclosures on ESG criteria, the KRX plans to work on an updated version of its ESG disclosure guidance in the second half of 2022.

The ESG evaluators in Korea currently use global standards provided by the Global Reporting Initiative (GRI) or the Task Force on Climate-related Financial Disclosures (TCFD) and use a weighted evaluation system considering different characteristics of businesses. After a careful review on the current ESG assessment system, the authorities will draw up measures for improvement where necessary.

### **IV. PROMOTING SOCIAL FINANCE IN LINE WITH ESG MANAGEMENT AND INVESTMENT**

The FSC has been working on establishing a proper ecosystem to promote social finance by providing necessary funds, building key infrastructures including a database and encouraging private sector participation. Along with the relevant government ministries, the FSC has been operating a consultative body on social finance since April 2018 to facilitate information sharing and promote effective coordination. The FSC plans to continue to work on promoting social finance throughout the financial industry by providing stronger incentives, making improvements to the social value assessment system and improving accessibility to social finance products. Overall, the FSC will work to bridge social finance with ESG management and investment.

The FSC and the relevant institutions will provide active support to raise awareness on the importance of green finance and climate risk management across the financial industry and help businesses to more effectively pursue ESG management.

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