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Korea Sustainability Standards Board
서울시 중구 세종대로 39
서울, KR

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KSSB Consultation on Korean sustainability disclosure standards

We refer to the Korean sustainability standards board (KSSB) consultation paper on sustainability disclosure standards, open for consultation until 31 August 2024. We welcome the opportunity to contribute our perspective on the Korean sustainability reporting regime.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with ca USD 1.6 trillion as of 30 June 2024, KRW 27 trillion of which invested in the shares of 511 Korean companies.

As a long-term, global investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms. We need consistent, comparable, reliable, and decision-useful information from companies on social and environmental issues that are financially material to their business. This information helps us understand how companies manage such risks and opportunities, and informs our investment decisions, risk management processes, and ownership activities.

In today's evolving investment landscape, corporate sustainability reporting has gained critical importance, impacting the way investors assess companies. It is now generally understood that a company's sustainability profile affects its revenue, costs, and risks. Accurate and timely disclosure of material sustainability matters is therefore vital, yet the use of different frameworks and the largely voluntary nature of reporting until recently has hindered the systematic consideration of environmental and social performances in investment decision making.

Policymakers play a critical role in addressing this challenge by ensuring a mandatory global baseline. Ensuring comparability and consistency across companies and markets requires the introduction of a global standard at the jurisdictional level. This will provide decision-useful information to investors, management, and other stakeholders – supporting effective economic and investment decisions. It will also reduce the reporting burden on multinational corporations, which are subject to multiple regulatory regimes.

We strongly advocate for the jurisdictional adoption of the International Sustainability Standards Board’s (ISSB) IFRS S1 (sustainability-related disclosures) and S2 (climate related-disclosures) and see this as an important opportunity for global alignment in sustainability reporting. The governance of the ISSB under the IFRS Foundation, and its link to international accounting standards developed by the

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International Accounting Standards Board (IASB), bring recognition and credibility to the standards. The standards have also been endorsed by the International Organisation of Securities Commissions (IOSCO) to support the integration of sustainability related financial information in capital markets. We welcome the decision already taken by several jurisdictions, which have begun adopting or otherwise using the standards since their publication in June 2023.

The IFRS S1 and S2 focus on information through a financial materiality lens and are designed to be provided alongside financial statements and connected with financial information. This is valuable to investors as it provides a holistic view of a company's performance and prospects, whilst preserving the decision-usefulness of information. Being principles-based, they are also interoperable with jurisdictional regimes and other recognised frameworks. For example, they are complementary to the GRI framework, maintain the industry-based approach of the SASB standards, and follow the same 4-pillar structure as the TCFD. This reduces the reporting burden for companies and ensures the comparability of disclosures.

We therefore strongly welcome Korea's move towards adoption of ISSB standards, which provide a global baseline for disclosure of sustainability information. We welcome the intention to align as closely as possible with the ISSB standards. Jurisdiction-specific public policy goals can be met through a "building blocks" approach by adding requirements to the global baseline. We support Korea's approach where the suggested country-specific standard KSSB 101 allows companies to disclose additional sustainability related information as required by domestic laws.

Regarding the proposed "climate first" approach, we do acknowledge that some jurisdictions are starting the regulatory adoption of the ISSB Standards by mandating S2-aligned climate reporting, often building upon pre-existing TCFD-aligned requirements. However, information on the risks and opportunities linked to other sustainability topics is equally important for investors. Therefore, we encourage Korean authorities to commit to a swift implementation of the disclosure of other sustainability-related matters for all companies and to signal a clear timeframe towards this goal.

Regarding industry-based information, we encourage the KSSB to reconsider the decision to not require the disclosure of industry-based information. Investors have long valued industry-specific disclosures, which can reflect the materiality of different sustainability-related risks and opportunities across business sectors and are often integrated in their ESG risk management and integration frameworks. We therefore suggest KSSB maintains in the final standards the original reference to SASB Standards, which have provided a decision-useful framework on sustainability information for many years. Entities should be required to consider ("shall" consider) the SASB standards as a source of guidance when identifying relevant sustainability matters and related disclosures, rather than merely being encouraged to do so ("may" consider). A reference to SASB as included in IFRS S1 and S2, can help drive consistency and comparability of disclosures across reporting entities in the same industry, and also helps preparers in identifying disclosures relevant to their business.

In addition, to support informed decision-making by investors, we suggest that companies be required to disclose their internal carbon pricing practices in accordance with ISSB S2 standards. This includes specifying the internal carbon price while explaining whether and how the company integrates this carbon price into its decision-making processes.

Furthermore, we call for certainty regarding mandatory disclosure and timing of Scope 3 GHG emissions. Whilst we understand corporates' challenges in measuring and reporting their Scope 3 information, as an investor we consider this information essential to understand the transition risk that our portfolio holdings are subject to. We note that the ISSB provided a temporary one-year relief in the reporting of Scope 3

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information, as well as specific guidance on Scope 3 measurement to enhance proportionality for preparers.

Finally, regarding the scope of the reporting regime, we recommend to mandate climate reporting both for listed issuers and for private companies, as this will provide a level playing field in terms of corporate disclosures. Furthermore, private companies are often in the value chain of listed companies and information from private companies is necessary for the latter to e.g. calculate their own Scope 3 emissions. On timing, we support alignment between sustainability reporting and financial reporting. This is beneficial to facilitate connectivity in reporting, usefulness of information and timely communication to users.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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