

Sent via electronic mail

August 28, 2024

The Korea Sustainability Standards Board

webmaster@kasb.or.kr

Subject: UPP comments on the KSSBs' Exposure Draft of the 'Korean Sustainability Disclosure Standards'

Dear members of The Korea Sustainability Standards Board (KSSB),

We appreciate the opportunity to comment on the KSSB Exposure Draft of the 'Korean Sustainability Disclosure Standards (KSDS)'. We welcome the efforts of the KSSB to develop corporate sustainability disclosure standards based on the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2).

UPP is a jointly sponsored pension plan created by and for Ontario's university sector with over 40,000 members, and \$11.7 billion in assets under management. As a long-term investor, UPP seeks to invest responsibly and promote the health of the financial, social, and environmental systems on which capital markets rely in order to deliver strong, sustainable value to members today and tomorrow. UPP is growing a resilient fund to secure pension benefits for members today and for generations to come and is open to all employers and employees within Ontario's university community.

As an institutional investor we believe that sustainable returns in a long-term horizon can be achieved exclusively with comprehensive integration of sustainability and climate change risks in the investment process. UPP invests across several asset classes globally and we encourage standardized high-quality reporting of sustainability-related information.

Adhering to ISSB Standards ensures the disclosure of sustainability related information worldwide, thus, reporting entities can be held accountable for transparent disclosure. For UPP and other institutional investors globally, this means a reduction of risk and uncertainty, which in turn affects investment decision-making. UPP advocates for the adoption and enforcement of such standards in alignment with ISSB Standards and we are sharing our views, alongside other investors, on jurisdictional sustainability consultations around the world.

Limiting modifications to ISSB Standards reduces fragmentation and promotes comparability for investors but also streamlines and reduces the reporting burden for companies that may need to comply with multiple reporting requirements.

UPP is supportive of these key disclosure criteria that are included in the ISSB global baseline standard:

- Unified approach to the definition of materiality across jurisdictions.
- Reporting timeline aligned with financial statements and clear inclusion of a connection between the reported information and financial statements.
- Reporting included in general-purpose financial reporting.
- Provision of the information across governance, strategy, risk management, metrics and targets reporting dimensions.

- Reporting should include disclosures about opportunities as well as risks including all sustainability-related risks and opportunities with potential to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term.
- Industry-specific disclosures.
- Exploration of alignment with Sustainability Accounting Standards Board (SASB) standards.
- Disclosure of scopes 1, 2 and 3 in alignment with GHG Protocol and publication of financed emissions.
- Disclosure of climate-related scenario analysis, targets and transition plan.

We welcome the KSSB work on adopting ISSB standards locally and we recognize the effort that was put to align KSSB's Exposure Draft and IFRS S1 and IFRS S2. UPP would like to provide the following comments on the Exposure Drafts and emphasize the following aspects. We consider them to be essential components of the ISSB Standard but they are currently not included in the Exposure Draft:

1. **Disclosure of sustainability-related Financial Information:** UPP recommends making the disclosure of sustainability-related information mandatory alongside with the disclosure of climate-related information as proposed in IFRS S1 and IFRS S2. As investors, we need to be able to consider a full spectrum of sustainability considerations to make informed investment decisions. Although understanding climate-related risks and opportunities is essential for us, investors also need general sustainability disclosure. UPP recognizes the effort that might be involved in first-time disclosures under ISSB-aligned Standards and we would like to point out that IFRS S1 provides the option to disclose only climate-related information in the first year of application. This would enable businesses to develop the appropriate systems for efficient implementation of requirements encompassing other material sustainability-related risks and opportunities and provide investors with the certainty about when this information will be available to support their decision-making.
2. **Scope 3 reporting:** UPP strongly recommends maintaining mandatory scope 3 greenhouse gas (GHG) emissions disclosure. While it is encouraging that the proposed KSDS include disclosure of Scope 3 GHG emissions UPP would prefer that KSSB makes scope 3 mandatory, not waiting for further discussions with relevant authorities. As evidenced by the feedback that ISSB received on its consultations for IFRS S1 and IFRS S2, information about scope 3 GHG emissions is crucial to enable investors to understand an entity's exposure to transition risk. While we recognize the complexity of this disclosure requirement UPP is calling KSSB to consider guidance on Scope 3 measurement included in IFRS S2 to avoid possible challenges potentially arising from data collection and measurement.
3. **Industry-specific disclosures:** UPP is calling for disclosure of industry-based information in alignment with SASB standards. Industry-specific information is critical to understand the effects of sustainability-related risks and opportunities. Furthermore, using the SASB Standards reduces implementation costs for entities and yields useful and comparable disclosures for users of the information. The SASB Standards are a useful tool to enable companies to identify metrics relevant to their situation. SASB-aligned industry-based information disclosure is essential to ensure consistency and comparability of sustainability disclosures among entities in the same industries which is important for investors.
4. **Location and timing of reporting:** UPP recommends aligning KSDS with ISSB Standards by requiring the inclusion of the sustainability-related disclosures in general purpose financial reports and provision of them at the same time as the related financial statements (please note, IFRS provides a relief on this timing in the first year of disclosure using the ISSB Standards).

Summary

UPP strongly supports the development of the Exposure Draft and the full adoption of ISSB Standards. It is critically important that jurisdictions around the world adopt a consistent and comparable global baseline of climate-related and sustainability-related financial disclosures to meet the needs of capital and financial markets. Consultation on the KSSB Exposure Draft is a significant milestone in the establishment of reporting that provides the global baseline of

information required by ISSB Standards in Korea. However, further alignment could be reached in relation to the approach towards the mandatory disclosure of general sustainability-related information and scope 3 GHG disclosure in the KSDS.

Do not hesitate to contact me at brian.minns@universitypensionplan.ca or +1 416-417-2587 if you require any additional information.

Thank you,

Brian Minns

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