Boston Trust Walden
Principled Investing.

August 23, 2024

Chair Han Yi
Korea Sustainability Standards Board
Korea Accounting Institute
39 Sejong-daero, Jung-gu
Seoul, Korea

**Re: Comment on proposed Korean Sustainability Disclosure Standards (KSDS)**

Dear Chair Yi,

Boston Trust Walden Company is an independent, employee-owned investment management firm with approximately $15.8 billion in assets under management.[1] Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975—one of the longest track records of any institutional investment manager.

At Boston Trust Walden, we seek to invest in enterprises with strong financial underpinnings, sustainable business models, prudent management practices, and a governance structure that supports these objectives. Consideration of ESG factors is part of our fiduciary duty to ensure client assets are invested in a set of securities well situated to produce attractive risk-adjusted returns over a long-term investment horizon.

Since 2017, Boston Trust Walden has served as a member of the Sustainable Accounting Standards Board (SASB) Investor Advisory Group, now the ISSB Investor Advisory Group, to support the development of a globally recognized framework for consistent, comparable, and reliable disclosure of financially material, decision-useful sustainability-related information. We support jurisdictional efforts to adopt disclosure requirements aligned with the IFRS Sustainability Disclosure Standards and welcome the opportunity to comment on the ongoing consultation.

With respect to the Korea Sustainability Standards Board (KSSB) consultation, Boston Trust Walden would like to highlight the following key points for consideration.

- **We support the Korean Sustainability Disclosure Standards (KSDS) mandatory climate-related disclosures and encourage the KSSB to also require the disclosure of non-climate related sustainability risk and opportunity disclosures.** The proposed KSDS only require disclosures related to climate-related risks and opportunities, allowing voluntary disclosures related to other sustainability-related risks and opportunities. As an asset manager integrating material ESG considerations related to a wide range of sustainability-related risks and opportunities, we value the enhanced comparability of non-financial disclosures offered through globally consistent implementation of IFRS Sustainability Disclosure Standards (S1 & S2). Attempts by global regulators to deviate from the IFRS Standards -- in this case, by omitting requirements to include the broader suite of sustainability risks and opportunities facing public companies -- risk undermining the primary goal and prospective benefits of the S1 & S2.

  We note that there are substantial reliefs provided within IFRS S1 to address concerns the KSSB may have with respect to increasing the scope of sustainability risks and opportunities

[1] AUM as of June 30. 2024, includes AUM of wholly-owned subsidiary Boston Trust Walden Inc.

included within the KSDS. For example, IFRS S1 allows transition relief for reporting on other sustainability-related risks and opportunities beyond climate. The IFRS Foundation's *Adoption Guide Overview* also anticipated the possibility for jurisdictions to extend transition reliefs to allow reporting on climate for an initial period.

We believe it would be more efficient for the KSSB to align KSDS 1 with IFRS S1 and extend transitional relief to companies rather than to permit voluntary disclosure of non-climate sustainability risk and opportunity information. This approach would avoid the need for later regulatory consultations to require an expanded suite of sustainability related risk and opportunity disclosures beyond climate.

- **To enhance the decision-usefulness of the proposed KSDS and to support the goal for a global baseline of sustainability-related information, we encourage the KSSB to require disclosure of industry-based information, including that prompted by the SASB Standards.** Investors have consistently voiced their support for consistent, comparable, and decision-useful sustainability data to aid in the investment decision making process, championing the utilization of an industry-based lens grounded in the use of the globally recognized SASB Standards

  An industry-based approach is important as it rightly reflects the fact that sustainability-related risks and opportunities vary between and within sectors. For example, the sustainability-related risks and opportunities for the financial sector are generally distinct from those within the consumer staples or healthcare sectors. In addition, an industry-based approach to sustainability-related financial information is consistent with the approach taken by investment professionals when analyzing the quality and business model strength of issuers by evaluating companies relative to sector peers, often utilizing distinct financial markets and metrics. Removing the requirement for industry-specific information – one of the core tenets of the IFRS Standards – would significantly impair the decision usefulness of the information provided by the proposed KSDS compared to the global baseline delivered by IFRS S1.

- **We support the inclusion of requirements for reporters to disclose information related to Scope 3 greenhouse gas emissions.** Scope 3 emissions disclosure enables a robust evaluation of the efficacy of corporate transition plans, business model sensitivity to climate risk, and preparedness for a net zero emissions transition scenario. Notably, among jurisdictions that have initiated proposed rulemaking to adopt sustainability disclosure standards based upon S1 & S2, all but one have proposed information related to Scope 3 emissions be provided, underscoring the importance of this provision within the KSDS to support the goal for a global baseline of sustainability-related information.

  Companies increasingly recognize the critical importance of measuring these emissions. According to the Science-Based Targets Initiative, 90% of companies with approved science-based targets include Scope 3 emissions in those goals.[2] Korean market leaders across sectors, from Amorepacific Corporation to LG Electronics Inc. to SK Telecom, are developing strategies for decreasing Scope 3 emissions to reduce climate-related risk, meet mounting regulatory expectations, and address shifting consumer demands. To aid preparers, IFRS S2 provides substantial guidance for the measurement of Scope 3 emissions, including the use of estimates and assumptions to ease concerns related to measurement uncertainty and capacity challenges.

[2] Labutong, Nicole, and Vincent Hoen. "How Can Companies Address Their Scope 3 Greenhouse Gas Emissions?" Science Based Targets (blog), May 25, 2018. https://sciencebasedtargets.org/blog/how-can-companies-address-their-scope-3-greenhouse-gas-emissions.

- **Investors and companies will benefit by the provision of KSDS information within, and at the same time as, the financial statements to which they relate.** IFRS S1 & S2 require companies to demonstrate the connectivity between sustainability risk and opportunity management and long-term value creation, further aiding investors in the integration of such information in the investment decision making process. Explaining connections between sustainability-related risks and opportunities and enterprise value creation should also benefit companies by enhancing management's analysis, decision-making, resource allocation, strategy, and response to external factors such as regulation and consumer trends. These benefits are best realized when timing and location of sustainability-related disclosures are aligned with the financial statements to which they relate.

As an asset manager integrating sustainability-related information into investment decision-making since 1975, we are greatly encouraged by the prospects of the IFRS Sustainability Disclosure Standards to improve the consistency, comparability, reliability, and decision-usefulness of sustainability-related risks and opportunities disclosure globally. These aims will only be fulfilled if individual jurisdictions adopt the requirements of the IFRS Standards in full, prioritizing any use of temporary reliefs over the omission of certain disclosure requirements.

We encourage the Korea Sustainability Standards Board's consideration of our feedback and are available to discuss further, if helpful. We can be reached at aaugustine@bostontrustwalden.com and jfernandez@bostontrustwalden.com.

Sincerely,

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