Korea Focus: Corporate Climate Change Reporting for a sustainable future
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Foreword
Rick Samans, CDSB Chairman

Today’s world is one of uncertainty, presenting society and the planet with a wide range of seemingly insurmountable problems. As solutions elude governments, private sector organizations like the Climate Disclosure Standards Board, are working globally to offer tools and strategies that will help lay the foundations for a sustainable world and to build trust in information and decisions.

The scale of particular challenges presented by climate change is too great to be addressed by any single country or organization. The route to solutions is multi-disciplinary and multi-jurisdictional and must be born out of collaboration and mutual exchange of experiences. CDSB was therefore delighted for the opportunity offered by the UK Foreign and Commonwealth Office to work with South Korean government officials, corporations and investors to share experiences about the role and development of climate change-related disclosure; the main focus of CDSB’s work.

The multi-faceted nature of climate change and its social, ecological, ethical and economic consequences demand complex policy decisions, private sector investment and active business strategies to adapt to changing environmental and market conditions. All over the world, policy makers and others are responding to these challenges by introducing a range of measures and initiatives on greenhouse gas measurement and reduction, carbon trading, carbon taxation, risk management, governance, biodiversity protection, energy security and so on.

To the extent that they apply to business organizations, the majority of these measures, whether designed to advance scientific, political, market-based, financial, social or environmental solutions to climate change, require some form of corporate reporting activity. South Korean Government agencies, business organizations and investor groups have introduced a range of measures that require or encourage organizations to report on their climate change-related risks, opportunities, strategies and performance as well as their greenhouse gas emissions. CDSB aims to support corporate reporting in mainstream disclosures by relying on and adopting relevant principles from reporting practices that are already in place and also from established financial and governance reporting practices.

"The scale of particular challenges presented by climate change is too great to be addressed by any single country or organization. The route to solutions is multi-disciplinary and multi-jurisdictional and must be born out of collaboration and mutual exchange of experience."

Rick Samans, CDSB Chairman

What lies at the heart of all requests for information about climate change is the desire to understand how an organization’s activities and strategies affect (positively or negatively) or are impacted by climate change such that investors, consumers, the environment, the planet and the next generation may be positively or negatively affected. This underlying shared sense of purpose is a powerful basis for collaboration and was evident at the project’s launch event held in Seoul in July 2012. The opportunity to share and learn from the experiences of the South Korean government, industry and investors was both valuable and inspiring. The efforts of South Korean organizations to adopt and demonstrate best practice in climate change-related reporting positions South Korea as one of the leaders in Asia and indeed the world and will encourage others to develop and sustain their efforts over the long term.

1 OECD (2010)
FCO Prosperity Funds and the Climate Disclosure Standards Board

The Foreign and Commonwealth Office (FCO) Prosperity Fund aims to support sustainable global growth, including in the areas of economic reform, climate change and energy security. One of the British Embassy in Seoul’s most important projects has been led by the Climate Disclosure Standards Board (CDSB), an international organisation committed to the integration of climate change-related information such as carbon emission data into mainstream corporate reporting. The project encouraged Korean businesses, investors and policy makers to implement internationally recognised best practice climate change reporting in the form of the CDSB’s Climate Change Reporting Framework.

I have been impressed by the project’s results. As a result of CDSB’s work, several leading Korean companies now have the expertise and skills to disclose information about their climate change-related risks and opportunities, carbon footprints, carbon reduction strategies, and their implications for shareholder value. The adoption of this type of reporting will ultimately help establish sustainable financial systems, helping investors move beyond carbon emission numbers to linking their data to a strategy which benefits financial performance. I am pleased that several high profile Korean companies are likely to adopt internationally recognised climate change reporting in the near future and I am certain that doing so will strengthen their investor relationships and business operations.

The active participation of Korean companies in this project, supported by the excellent work by CDSB, will undoubtedly position Korea as one of the leaders in international corporate carbon reporting. We hope that this project will contribute to a wider implementation of climate change reporting standards across the region and globally.

Michael Watters
Head of Climate Change and Energy Section,
British Embassy Seoul
Introduction

Climate change has been identified as an example of market failure. Many believe that failure can be addressed through “green growth” (broadly defined as growth that integrates economic performance and environmental sustainability). Green growth requires the mobilization of financial, technological and human capital at local, national and international levels and at an unprecedented pace and scale.

Decisions to support green growth depend on the supply of robust information. There is a growing trend for information to be sought from organizations about the way in which they respond to the risks and opportunities presented by climate change. This trend reflects the prevailing view that those charged with the management and governance of organizations are stewards, not just of investors’ money, but also of human, natural and social capital, with responsibility to disclose how that stewardship is being exercised through the organization’s strategy and management of risks and opportunities.

Commonly understood and consistent structures are required to support such disclosures, including measurement, reporting, accounting and assurance structures that communicate the information necessary for assessing progress towards green economic growth. CDP and CDSB work with others to create these structures through the development of tools and resources for the integration of climate change-related information into mainstream corporate reports so as to inform mitigation, adaptation and investment decisions and actions. The structures that CDP and CDSB develop are designed to provide the information foundations for stable but ambitious change.

At the same time, governments around the world are putting in place ambitious measures to respond to and mitigate the consequences of climate change, including measures to stabilize atmospheric concentrations of greenhouse gases. The South Korean government is no exception leading the way with the “Target” scheme, alongside a comprehensive range of measures to encourage and require companies to report on their climate change risks, opportunities, strategies and performance as well as their greenhouse gas emissions.

Climate change reporting practices are rapidly developing now amongst South Korean companies. CDSB therefore welcomed the opportunity to participate in a UK Foreign and Commonwealth sponsored project to share experiences of corporate reporting with South Korean companies and their stakeholders.

The CDSB pilot project commenced in July 2012, with the objective to gain insights into the experiences of leading South Korean corporations on their experience with climate change-related disclosure, to gain understanding of the challenges associated with reporting and gather feedback on what further work could be done to improve and promote climate change-related disclosure.

The project was the second pilot to be run outside the UK; the first being in Japan in 2011-12 which culminated in a symposium on 23rd February 2012. This was a unique opportunity to share learning and outcomes from the project and to support future development of climate change-related reporting in Asia including the adoption of CDSB’s Climate Change Reporting Framework. This learning was used to inform the activities undertaken in South Korea over the last year with companies, investors and regulators. CDSB is very appreciative of the high quality discussions and active participation of so many well-informed representatives of South Korean industry and of the Korean Sustainable Investing Forum (KoSIF) for grasping CDSB’s mission and ambition and driving it forward with enthusiasm and passion.

This report presents the work of CDP and CDSB and summarizes the main outcomes from the project in South Korea. One outcome was the recognition by Korean industry that financial and non-financial (including climate change-related) reporting are coalescing and CDSB’s framework is closely aligned to existing South Korean government policy. This is an important finding for CDSB which seeks to integrate climate change-related disclosures in mainstream financial reports based on some of the rigour and standardization that has been brought to financial accounting.

The structures that CDP and CDSB develop are designed to provide the information foundations for stable but ambitious change.

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2 Report from the Global Green Growth Forum (3GF) meeting October 2011, Copenhagen
About the Climate Disclosure Standards Board (CDSB)

CDSB is an international private sector organization committed to the integration of climate change-related information into mainstream corporate reporting. CDSB was formed in response to calls for corporate climate change-related information to become more standardized and robust in order to facilitate comparative analyses by investors, managers and the public and drive harmonized reporting worldwide. CDSB advances its mission by acting as a forum for collaboration on how existing reporting standards and practices can be supported and enhanced so as to link financial and climate change-related reporting, respond to regulatory developments and build trust in reporting. CDSB aims to complement climate change policy measures by providing a Framework and other resources for use by companies in preparing climate change-related disclosures in mainstream corporate reports.

CDSB is a special project of the CDP. CDP was a founding board member of CDSB and is responsible for the running and day-to-day operations of the CDSB Secretariat.

**CDSB’s Mission:** to promote and advance climate change-related disclosure in mainstream reports through the development of a global Framework for corporate reporting on climate change.

**CDSB’s Ambition:** to respond to the demand for a global reporting model that ensures fair and transparent markets and inspires confidence in reporting.

**CDSB’s Objectives**

+ Promote, advance and standardize climate change-related disclosure in mainstream reports in response to demand and in order to elicit relevant and material information that can be integrated into investor analyses for the enhanced efficiency of capital allocation;

+ Connect financial and non-financial business reporting through a focus on how climate change affects organizations’ strategy, condition and value creation potential;

+ Provide conceptual and practical input into deliberations by regulatory agencies contemplating the introduction or development of requirements on corporate climate change-related disclosure;

+ Support assurance of climate change-related information through specification in the Climate Change Reporting Framework of requirements and criteria that may be used for assurance activities.

The outcome CDSB seeks is that, through adoption of its Reporting Framework, more reliable information will reach businesses, investors and regulators in support of the decisions they must make and the actions they must advance in response to climate change.

Investors and companies alike are increasingly recognising the importance of understanding the risks and opportunities arising from climate change. Integration of material climate change-related information into mainstream corporate reporting is an important step in helping investors understand the extent to which management of the issue is integrated into a company’s strategy and risk management and therefore the extent to which corporate value is being protected and enhanced in this respect.

Hermes EOS therefore welcomes CDSB’s Climate Change Reporting Framework as a catalyst for increasing the focus on valuable corporate reporting on climate change. In particular we welcome the framework’s flexibility, underpinned by the concepts of materiality and strategic imperative, allowing companies to start their reporting from the principle of communication rather than compliance. We hope this sets a useful direction of travel for the development of future standards and regulation on climate disclosure to facilitate the commensurate quality of dialogue between companies and investors that the issue deserves and requires.”

Freddie Woolfe, Corporate Engagement, Hermes Equity Ownership Services
Table 01 provides an overview of the current challenges across the reporting landscape, steps CDSB is taking to intervene and the outcomes sought from those interventions. CDSB’s activities and tangible outputs are designed to benefit preparers and users of information about climate change, and policy makers that already have or contemplate introduction of climate change-related disclosure requirements.

<table>
<thead>
<tr>
<th>Today</th>
<th>CDSB ‘s Contribution</th>
<th>Outcomes</th>
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| + Robust demand for climate change-related information; | **Standard-ready material**  
+ The Climate Change Reporting Framework  
+ Sector specific supplements | + Convergence/harmonisation of climate change reporting regimes leading to:  
+ **Clarity** of climate change reporting requirements for preparers and users of information; |  
| + A patchwork of disclosure approaches leading to: | **Resources**  
+ Guidance for applying the Framework  
+ Examples of conformance with the Framework  
+ De-mystification of aspects of greenhouse gas measurement  
+ Technical solutions  
+ A live database of international provisions on climate change disclosure  
+ Interpretive tools for investors  
+ Forum for collaboration | + **Consolidation** of existing good practice;  
+ **Transparency** of disclosures; |  
| Confusion for preparers and users of information | **Research**  
+ Comparison of international reporting regimes  
+ Thought leadership  
+ Scrutiny of public disclosures | + **Confidence & trust** in information and claims to mitigation; |  
| Variation in the quantity, quality and relevance of disclosures | | + **Decision-useful, standardised information** with more long term focus; |  
| Financial institutions failing to take account of climate change issues in their analyses = market failure | | + **Support for organizations** conducting complementary work; |  
| Fragmented assurance practices = lack of confidence in information | | + **Support for assurance activities;** |  
| Outdated and incomplete reporting practices that focus on financials | | + **Support for policy measures** (e.g. standards for carbon foot printing have been identified as necessary for the World Trade Organization’s mandate for facilitating international trade. |  
| Short-term focus | | + **Effective, stable markets** |  
| Disconnection between value creation and climate change. | | |  

Today Outcomes  
(assuming adoption of the Climate Change Reporting Framework and deployment of resources)
Why does CDSB focus on climate change-related disclosure in mainstream reporting?

CDSB focuses on climate change-related disclosure in, or linked to, mainstream financial reports because:

+ The objectives and requirements of business reporting are changing - The current business reporting model has been criticized as being “... too financially orientated, too technically complex and, critically, [ignoring] key elements of business performance including sustainability issues.” In their current format, financial statements fail to capture the full range of corporate risks and value creation potential, the balance being derived from intangible factors including environmental, social and governance issues. CDSB’s Reporting Framework seeks to elicit a more complete picture of a company’s condition than has not traditionally been available from financial statements alone.

+ Climate change is increasingly recognized as a critical factor affecting corporate value - the associated risks and opportunities should be as connected to business reporting as any other factor that has the potential to affect a company’s value, strategy or condition. CDSB seeks to make that connection through the use of its Reporting Framework.

+ Legislative developments increasingly require climate change-related disclosure in mainstream reports. However, analyses of corporate responses to existing law reveal a number of issues that affect the quality and quantity of information disclosed in mainstream reports. CDSB’s Reporting Framework seeks to provide guidance on the complex issues that need to be addressed in order to make mainstream disclosures effective.

Who Benefits from CDSB’s work?

Investors will be able to make informed and robust decisions based on clarity, confidence and trust in climate change-related opportunities and risks disclosed by a company understanding the comparative position of companies’ with respect to future challenges.

Analysts will be better equipped to utilize climate change-related information in determining impacts on future cash flow and ultimately company valuations.

Companies can use the Climate Change Reporting Framework to incorporate climate change-related information in mainstream financial reports. The Framework’s content assists companies in achieving a holistic view of how climate change can affect their performance and the necessary actions they could take to address the risks and opportunities.

Governments can benefit from standards ready material and a framework that can be immediately adopted or referenced as a method of compliance in regulation/guidance. By placing climate change-related information at the heart of financial performance, businesses will be able to contribute to national Greenhouse Gas (GHG) reduction targets. Greater stability in financial markets will be attained.

Stock exchanges can consider new voluntary and mandatory listing requirements linked to material climate change risks and opportunities, which in time will further support existing and additional GHG and Environmental Social and Governance (ESG) indices in the marketplace.

Accounting firms will be able to provide more comprehensive assurance of companies reporting on climate change-related performance.

NGOs and the Public will be able to use this additional information to engage with companies in a more meaningful manner, creating competition in the marketplace as companies improve performance and be identified as a leaders.’
CDSB published Edition 1.0 of its Climate Change Reporting Framework in September 2010 and Edition 1.1 in October 2012. Through a process of continuous improvement and collaboration, CDSB develops the Climate Change Reporting Framework and associated guidance material for use by companies when making disclosures in, or linked to, their mainstream financial reports about the risks and opportunities that climate change presents to their strategy, financial performance and condition. The Framework is “standard ready” for adoption by regulators contemplating the introduction or development of climate change disclosure practices. The Framework is designed to elicit disclosures that link financial and climate change-related disclosures and to produce decision-useful information for investors.

**CDSB’s approach - Building on and enhancing existing activity and practice**

Companies are already making significant progress in climate change-related disclosure through CDP and other channels. Standards for preparing certain categories of information, such as GHG emissions, already exist and legislation relevant to climate disclosure is developing fast. However, activity is fragmented and lacks consistency, which dilutes its effect. CDSB develops and consolidates this activity by:

- **Providing a forum for collaboration** on how existing standards and practices can be supported so as to link financial and climate change-related reporting and respond to regulatory developments;

- **Consolidation of existing good practice** through CDSB’s commitment not to create a new standard but to enhance initiatives that are already widely adopted and working well and to adopt relevant principles and objectives of financial reporting so as to complement the mainstream reporting model with which business is already familiar;

- **Providing resources** for preparers and users of climate change-related information and for regulators so as to encourage a more globally harmonized approach to climate change-related reporting. Resources include the Climate Change Reporting Framework and CDSB’s Standards Center workspaces. CDSB draws on a range of influences for the purposes of developing the Climate Change Reporting Framework including the work of its Board members. For example, the Framework:

  - Adopts and relies on the *Greenhouse Gas Protocol* reflecting the coalescence of many emerging global schemes around it as the de-facto standard on GHG emissions monitoring and measurement;

  - Aligns with the content and format of disclosures made through *CDP* as the de-facto template for the disclosure of content that is useful for investors. The Climate Change Reporting Framework complements this by adding a focus on how management should maximize the relevance and usefulness of disclosures. CDSB also adopts relevant principles from financial reporting in so far as they can help business to develop a discipline for environmental reporting using familiar vocabulary and recognizing that financial and environmental reporting will inevitably coalesce. Through its *Consistency Project* work, CDSB tracks developments in emerging legislation designed to minimize GHG emissions and elicit disclosure of risks associated with climate change.

The Framework can be downloaded in Korean from: [cdsb.net/FrameworkKo](cdsb.net/FrameworkKo)

For more details and the Framework in English, visit: [cdsb.net/Framework](cdsb.net/Framework)

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6 CDSB’s Draft Reporting Framework was released for public consultation in May 2009 at the World Business Summit on Climate Change. Edition 1.0 of CDSB’s Climate Change Reporting Framework was published in September 2010.

7 https://standardscenter.com

8 The GHG Protocol was developed by the World Business Council for Sustainable Development and the World Resources Institute – see www.ghgprotocol.org. CDSB refers to the GHG Protocol to include Regional Program.
Drawing on these and other influences (see Figure 1), CDSB’s Framework provides a workable filter for companies and investors to identify the major trends and significant events related to climate change that affect a company’s current or future financial condition. In doing so, the Reporting Framework links management of climate change issues with financial performance and is ready for incorporation into the mainstream reporting model with which business is already familiar.

Preparers of climate change-related information for markets describe the current reporting as a labyrinth of rules including legislation, standards, industry and program protocols. These have been developed to assist corporations to report on climate change and share many fundamental characteristics. Using the International Accounting Standards Board’s work on the convergence of accounting rules into International Financial Reporting Standards (IFRS) as its model, CDSB has enhanced and encouraged coalescence around those shared characteristics by enshrining them in a single global reporting framework. It has been developed using existing standards and practices to ensure a clear harmonized approach to reporting rather than creating a new standard. Using this method of development leads to globally consistent and comparable non-financial information reaching financial markets.

CDSB has recently released edition 1.1 October 2012 of the Climate Change Reporting Framework, which like version 1.0 before it, is not intended to represent the final Framework, rather it is the latest iteration based upon the best available information as at the date of publication. As part of a process of continuous improvement, CDSB is updating and enhancing the Framework in the light of experience of using the Framework supplied by companies, investors and regulators from countries including Japan, Korea and the UK and in response to developments in climate change disclosure practice. User guidance accompanies the Framework and includes case studies and illustrative examples to assist companies using the Framework for the first time. The Guide to the Framework (hereon in referred to as “The Guide”) can be downloaded from cdsb.net/Framework.

The outcome CDSB seeks is that, through adoption of its Climate Change Reporting Framework more reliable information will reach business, investors and regulators in support of the decisions they must make and the actions they must advance in response to climate change. The Climate Change Reporting Framework has been welcomed as “essential” for consensus building and greater comparability, transparency, consistency and simplicity. The Framework is already being referenced by some leading organizations in their mainstream reports as providing the Framework for preparation of their climate change-related disclosures and has been referenced as a method of compliance in the guidance for the UK’s new mandatory carbon reporting regulation which will come into effect in October. CDSB is working with other governments and regulators across the world to seek wider adoption.

Figure 1: Sources of influence for CDSB's Climate Change Reporting Framework

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A list of protocols can be found in section 4.20 of the Climate Change reporting Framework and include The Climate Registry’s General Reporting Protocol and the International Organization for Standardization’s ISO 14064-1, which has adopted the GHG Protocol as its basis.
The challenge for Korean business to demonstrate value and resilience to disruption related to climate change continues to increase. CDP sent its annual information request again in 2013 on behalf of 722 investors with US$87 trillion of assets under management, inviting Korean companies to measure and report what climate change means for their business.

CDP is an independent not-for-profit organization working to drive GHG emissions reduction, sustainable water use and forest management by business and cities. CDP has pioneered the disclosure of climate change by organizations and significantly advanced market awareness of the issue. CDP’s disclosure system is the mechanism for organizations worldwide to measure and disclose GHG emissions and climate change risk information which is of value to investors, helps companies understand what is material to their business and prepares companies for mandatory reporting. CDP works with the world’s largest investors, businesses and governments, and is uniquely positioned to catalyze action towards a more sustainable economy.

The Korea Sustainability Investing Forum (KoSIF) is an independent not-for-profit organization working to build a sustainable society via dissemination of responsible investment. KoSIF has become CDP’s global operations partner in 2008 and has been responsible for operation of CDP’s carbon program in Korea. CDP and KoSIF have been playing a leading role in promoting climate change disclosure, driving emissions reductions and risk mitigation activities in Korea. As can be seen in Graph 1, responding Korean companies range from a wide range of industry sectors.

In 2012, 99 (40%) of the Korea 250 companies responded to the CDP information request, an increase of 5 companies on 2011 disclosing companies results, in line with increases across the CDP Global 500 and S&P 500 and FTSE 350 disclosure requests. This was complemented by an overall improvement in average disclosure and performance scores awarded by CDP.

Globally, companies that commit to climate change leadership have generated demonstrably superior returns for stakeholders. Now it is time for Japan’s corporate leaders to champion the required organisational transformation to succeed in an uncertain, resource-constrained world.  

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Graph 1: CDP Investor signatories in Korea & AUM over time

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Signatories</th>
<th>AUM (billion KRW)</th>
</tr>
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<tbody>
<tr>
<td>2008</td>
<td>08</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>16</td>
<td>1,090</td>
</tr>
<tr>
<td>2010</td>
<td>20</td>
<td>1,470</td>
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<tr>
<td>2011</td>
<td>28</td>
<td>1,860</td>
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<tr>
<td>2012</td>
<td>30</td>
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Graph 2: Korea 250, response rate by industry sector

<table>
<thead>
<tr>
<th>Industry</th>
<th>2012 Korea 250</th>
<th>2011 Korea 200</th>
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</thead>
<tbody>
<tr>
<td>Finance</td>
<td>20</td>
<td>24</td>
</tr>
<tr>
<td>Consumer</td>
<td>66%</td>
<td>44%</td>
</tr>
<tr>
<td>Energy</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>Mining</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Utilities</td>
<td>01</td>
<td>01</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>15</td>
<td>15</td>
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<tr>
<td>Healthcare</td>
<td>50%</td>
<td>34%</td>
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<tr>
<td>Communications</td>
<td>02</td>
<td>02</td>
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<tr>
<td>Consumer staples</td>
<td>02</td>
<td>02</td>
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<td>IT</td>
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<td>25%</td>
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<td>38%</td>
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(Number of firms, % response rate)
Benefits of standardized reporting: The case for consistency in climate change-related reporting

CDP has been working for over a decade to develop a standardized approach to climate change-related reporting that, in conjunction with CDSB’s Framework can be used to report to multiple stakeholders including shareholders and investors. Against the background of that work, other organizations, including regulators have been developing disclosure and reporting regimes designed to correct market and governance failures related to climate change. The number of mandatory and non-mandatory climate change-related reporting schemes and requirements has increased considerably in the last decade.

Climate change reporting and disclosure schemes vary in terms of the objectives that they are designed to support, the types of reporting provisions they include and the actors responsible for their introduction and oversight. The range of organizations involved varies from country to country as does the type of provision introduced. Provisions can take the form of law aimed specifically at climate change mitigation or pollution control, trading schemes, corporate governance codes, financial reporting and management commentary rules, company and environmental laws. Often similar types of information are requested, mainly focussed on climate change-related risk, opportunity, strategy and performance, and GHG emissions. However, even where similar information is reported, different reporting practices can develop because of the different objectives of the requestor, the specification or not of rules for compliance with reporting requirements and different national priorities. This can result in actual or perceived lack of consistency towards climate change-related reporting.

The number and variety of schemes designed for disclosure of climate change-related information, the variation between them and the different reporting practices that have developed are at variance with the global nature of climate change, producing variation in the quality, quantity and relevance of disclosures and prevent the effective use of information by markets and shareholders.

In response to these problems, CDSB co-formed an inter-agency working group with the OECD, UNCTAD and GRI to consider the potential for greater consistency of approach towards climate change-related reporting. Based on that work, CDSB and the OECD published reports setting out their findings and analysis of the current state of climate change-related reporting. The Consistency Working Report was formally launched at the sustainable stock exchange event at Rio+20 in 2012, with advanced thinking unveiled at the CDSB Japan Symposium in February 2012.

“The case for consistency in climate change-related reporting”, authored by CDSB, endeavours to clear up the confusion in the market place by distinguishing and addressing certain alignments between carbon reporting schemes and their approaches to interpretation and application of climate change-related data. It was found that while the propagation of numerous reporting standards and schemes reflect the demand for such disclosure, the variety of standards can cause practical and technical difficulties. Technical difficulties include:

- **Organisational boundaries**
- **Entity Coverage**
- **Type of GHG**
- **Scope of GHG**
- **Verification standards**
- **Methodologies prescribed**
- **Type of Information**.
More broadly other key findings from the report which support the delivery of CDSB’s mission are:

- Corporations can self-select reporting standards, based on where they operate or their nature of business, except where requirements are prescribed in law – this creates the impression of inconsistency and confusion among stakeholders;
- While there is strong evidence and demand for greater consistency of standards, it must be balanced with the need for flexibility to cater for the different natures of business;
- Majority of evidence and commentary suggests an opposition to a wholly new global standard, rather drawing upon existing frameworks and improving on them, and will likely involve integration at the institutional/jurisdictional level through securities agencies, stock exchanges, regulators, rating agencies;
- Technical challenges to consistency include organizational boundary, determination of materiality, and relevance to multiple audiences, both of which should align to some extent with current mainstream financial reporting standards;
- Technological challenges arise to consistent GHG reporting, as data collection methods vary between calculations based on various estimations and formulas, and direct measurements from emission sources. Technological assumption, inconsistencies and uncertainties affect reporting and consequently interpretation and usage by stakeholders;
- Communication remains key for investor groups, as performance or emission indicators can include generic and industry specific or physical and economical, as well as absolute volumes or intensity ratios. Different jurisdictions require different indicators while industry specific provides meaningful communication; and
- Regular reviews and assurance of climate change reporting standards are essential as theories, methodologies and rules are constantly developing to provide accuracy, and also to eliminate poor practices or inconsistency within companies’ reports.

The consistency report can be downloaded from: cdsn.net/ConsistencyReport

The second report released as part of this series was authored by the OECD entitled “Transition to a Low-Carbon Economy - Public Goals and Corporate Practices”. The report explores trends in corporate GHG reporting around the world due to regulatory and voluntary regimes; the motivations and challenges for a corporation to achieve GHG emission reductions; and companies’ use of that information so as to increase value towards the corporation itself and its stakeholders.

The report noted that regulatory stability and clarity is needed to unlock the potential for the reduction of companies’ emissions. To move beyond just energy consumption reduction, governments need to create policy stability and price signals such that renewable technologies and business model reconfiguration may be pursued actively. The ambition of establishing corporate targets is likely to remain low in the absence of clear policy incentives and common approaches to setting targets.

While most companies report on their Scope 1 and 2 GHG activities, the bulk of emissions are often produced outside the companies’ operating boundaries, through supply chain and use/disposal. Companies will need to drive emission reduction initiatives through working with customers and supply chain. Governments will need to provide strong support and a level playing field, if a shift to a low-carbon economy is desired.

The OECD report Transition to a Low Carbon Economy – Public Goals and Corporate Practices can be downloaded from: cdsn.net/OECDreport

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The number and variety of schemes designed for disclosure of climate change-related information, the variation between them and the different reporting practices that have developed are at variance with the global nature of climate change, produce variation in the quality, quantity and relevance of disclosures and prevent the effective use of information by markets and shareholders.
Integrated reporting

Climate change and Integrated Reporting

The World Economic Forum identified climate change and climate change-related risks as a key feature of their 2013 Global Risks Report, leaving no doubt that climate change is a material issue in today’s business environment. Climate change and its impacts, both positive and negative, are a reality for all companies irrespective of the industry or geographical region in which they operate. Therefore, it is important that a company evaluates the risks and opportunities to which their operations are exposed by climate change, and include those that are most material to the company’s operations in the mainstream disclosures, including an integrated report.

An integrated report is a comprehensive disclosure of an organization’s strategy, governance, performance and prospects which lead to the creation and preservation of value over the short, medium and long term while reflecting the commercial, environmental and social context in which the organization operates. Integrated Reporting is a process that results from integrated thinking and an integrated report is the communication output as a result of this process. Such communications that result from integrated thinking will be of benefit to a range of stakeholders, but as with the outputs of CDSB’s Framework, they are principally aimed at providers of financial capital to inform their allocation decisions.

The International Integrated Reporting Council (IIRC) states that “integrated thinking enables an organisation to understand better the relationships between its various operating and functional units and the capitals the organisation uses”. Integrated Reporting enhances accountability and stewardship with respect to the broad base of capitals (financial, manufactured, human, intellectual, natural, and social) promoting understanding of the interdependencies between them. Figure 2 visualizes the importance of the aforementioned capitals for business in how they create and sustain value in short and long term. This approach captures the essence of what is required for any business to address successfully the way in which they affect and are impacted by climate change. For many organizations, climate change impacts on all aspects of their business and the capitals on which it depends for success. Therefore, the planning and implementation of adaptation and mitigation actions should reflect this reality.

Although focused on environmental disclosure, the reporting principles established by CDP and CDSB for climate change reporting purposes can be extended to most other forms of corporate reporting. The requirements for organizations to report on material business strategy, risk, opportunity, performance and governance, as outlined by the IIRC’s Draft Prototype Framework, mirror the requirements of CDP’s information request and CDSB’s Climate Change Reporting Framework.

CDSB’s Reporting Framework is an early example on how to apply the principles of Integrated Reporting with respect to reporting on climate change. Through Table 02, it is clear that there are number of shared principles between the report, aiding companies in their Integrated Reporting where climate change affects the reporting organizations’ ability to create value.

<table>
<thead>
<tr>
<th></th>
<th>CDSB Framework</th>
<th>IIRC Prototype Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic focus</td>
<td>Yes (4.3-4.8)</td>
<td>Yes (3.2-3.6)</td>
</tr>
<tr>
<td>Description of strategy</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Risks and opportunities</td>
<td>Yes (4.9-4.11)</td>
<td>Yes (3.3)</td>
</tr>
<tr>
<td>Balances short and long term interests</td>
<td>Yes (4.4)</td>
<td>Yes (3.3)</td>
</tr>
<tr>
<td>Future looking / orientation</td>
<td>Yes (2.16 and 4.14)</td>
<td>Yes (3.4-3.6)</td>
</tr>
</tbody>
</table>

Table 02: Comparison of CDSB Framework and IIRC Prototype Framework
Extreme weather events during 2012 have emphasised the risks that climate change issues pose to many businesses. Integrated reporting requires a business to disclose the material issues that impact on its ability to create value. In that context, businesses across many sectors will be looking to increase their disclosure of climate risks and opportunities in their integrated report.”

Professor Mervyn King, IIRC Chairman

CDP was in fact one of the earliest pioneers and exemplars of Integrated Reporting, encouraging companies to put their GHG emissions in their annual reports.”

Nigel Topping, Chief Innovation Officer, CDP

Figure 3 depicts the capitals in Integrated Reporting. It encapsulates all the capitals within natural capital, indicating that all things derive from and depend on the natural world. Financial and manufactured capitals are shown as a subset of human, social and intellectual capital, indicating that economic considerations are in a sense there only to serve our needs, rather than existing in their own right. The important point about the capitals model with respect to Integrated Reporting is not how the capitals are categorized, or how they are depicted in relation to each other, or even how each one is defined or described; but rather their role as a tool to help organizations ensure they consider all their material dependencies and impacts when telling their unique value creation story in the integrated report.

These synergies raise questions for reporting organizations including whether conformance with CDSB’s Climate Change Reporting Framework is an acceptable way of making disclosures about climate change in an integrated report. The IIRC Framework will not be prescribing requirements for measuring of environmental indicators or impacts disclosed in integrated reports. Therefore, referencing the work of organizations that prescribe such measurements is likely to be of assistance to reporting companies. Furthermore, as policy makers increasingly require environmental disclosure, it is important that climate disclosures are compatible with regulatory developments. Through its “consistency project” (see page 11 of this report), and work with policy makers, CDSB has already ensured, as far as possible, that its work is suitable for adoption by regulators. To support companies’ reporting journey, CDSB in partnership with Promethium Carbon, have produced the report “Climate change and integrated reporting: Complementary practices for a sustainable future”. The report is a practical tool with guidance and examples that can assist businesses to integrate climate change into the heart of their organizations’ strategic decision-making.

Today, limited transparency around corporate sustainability risks can lead to investments that are damaging for the environment and for investors’ bottom lines. Tomorrow, companies that embrace Integrated Reporting can look forward to navigating much safer (and cleaner) waters when it comes to avoiding reputational or operational icebergs.

The report Climate Change: Complementary practices for a sustainable future can be downloaded from: cdsb.net/IRandCC

Figure 3
 XBRL: eXtensible Business Reporting Language

Companies around the world are increasingly expected to report their greenhouse gas emissions. As we know from this report, there are various ways to calculate emissions, and there are different reporting formats. Most of the reporting formats are static digital or printed files and thus have no links to definitions and relationships of the presented data. Analysis of non-financial impacts are important for management decisions and corporate evaluations by investors and other interested third parties. A standardized reporting format for GHG emissions and climate change data is critical for reliable analysis of the impact of emissions on finances. There is a global shift to digital reporting of financial data, and climate change information must follow this trend in order to be used in the same decision making process.

XBRL is a freely available, open source standard designed to categorize information in a digital format, used by more than 75% of the world’s total market capitalization. It allows information to be ‘tagged’ in order to link it to agreed definitions and define its relationships with other data. These definitions and relationships are established in taxonomies.

Governments and tax authorities are increasingly recognizing the power and value of XBRL in streamlining the gathering of information from the public and businesses and sharing that information across agencies efficiently and cost-effectively. Recognizing that regulators around the world are mandating the use of XBRL format for electronic filing of statutory reports, CDP and CDSB have defined the Climate Change Reporting Taxonomy so that the data language can evolve alongside standards and practices for disclosing financial information, ensuring that stakeholders are informed about all aspects of a companies performance and ability to preserve and create value.

The Climate Change Reporting Taxonomy project developed a taxonomy that is the representation of the CDP information request and CDSB’s Climate Change Reporting Framework. This allows investors and other stakeholders to speed up, enhance and extend the analyses of climate change data collected in a well-known and established way. The intention is that this data standard will establish the necessary links between financial business data and reporting and the new needs of information for a low carbon economy.

The main objective behind the creation of this standard is to:

+ Reduce the administration and cost for reporting organizations;
+ Promote the delivery of standardized information to markets and a range of different stakeholders; and
+ Facilitate the filing of climate change-related information in an electronic standard format.

On the side of the preparer, XBRL:

+ Helps eliminate entry errors by containing links to related information; and
+ Keeps track of data points and retaining contextual information.

Financial disclosures through Korea’s Data Analysis, Retrieval and Transfer System (DART) (englishdart.fss.or.kr) are used both nationally and internationally due to XBRL’s capability of presenting disclosures in multiple languages. KOSDAQ has also implemented a voluntary XBRL filing system and the use of the XBRL IFRS taxonomy is mandatory for 1700 companies. Disclosing the emissions data by using XBRL will therefore be very beneficial for the analysis of the financial positions and emissions results of these companies. Interested companies will want to combine XBRL reports of the financial data with emissions data to allow investors and other stakeholders to easily evaluate the companies from both the financial and environmental perspectives with the added value of the Climate Change Reporting Framework and the power of XBRL analysis.

XBRL really comes to life in the hands of the report user. Simple software can be developed to process very large amounts of data and present it in a way that is most suitable for the individual. This could be a website, a computer application or even a phone app. The only limit is imagination. 

Find out more:

The climate change reporting taxonomy project: cdsb.net/xbrl
Try out the taxonomy: cdp.net/xbr
XBRL Korea: xbrl.or.kr
Together, CDP and its special project CDSB provide a full disclosure toolkit for companies on carbon and climate change, both in reporting to financial markets and in preparing for, and adhering to mandatory reporting around the world. Companies are advised to disclose in full to their shareholders and customers through CDP and can then consolidate the information that is most financially material into their mainstream reports using the CDSB Framework.

CDP’s information request is a key process in collecting climate change, related management, and financial data in order to assess an organization’s performance. CDSB’s Climate Change Reporting Framework is a tool for consolidating this information in order to prepare it for inclusion in financial or integrated reports in a decision-useful way, ensuring that the content is aligned with both GHG and financial standards. At the end of this process companies can distribute highly structured data to multiple recipients from a single source using the XBRL Climate Change Reporting Taxonomy. XBRL allows better analysis and thus better information for capital allocation decisions.
CDSB Pilot Program — Korea Focus

The Climate Disclosure Standards Board (CDSB) is a global initiative that has developed an international framework to support climate change-related disclosures from corporations. It seeks to facilitate and standardize climate change information in corporations' mainstream financial reports. Government recognition of CDSB's Framework, corporate engagement and involvement from investors is central to CDSB's mission delivery.

Climate change found its way onto Korean companies' agendas due to the introduction of key regulations. In 2008, “green growth” arose as the key agenda item under the Lee Government’s administration and a GHG emission reduction target of 30 percent compared to business as usual was set. A “Low Carbon Green Growth Fundamental Law” was ratified in April 2010 and on the basis of this law a “GHG/energy target management” reporting scheme was introduced in 2012. In addition, emission trading legislation was established in the same year and is expected to be enacted in 2015. Corporations that have been included in the GHG/energy target management scheme are required to publish their energy consumption and GHG emissions in their annual reports.

In 2012, 99 Korean corporations reported the risks and opportunities related to climate change to investors via CDP with 74 listed companies publishing sustainability reports (May, 2012 standard) and 7 corporations including Posco, SK Hynix, Coway (5 listed companies and 2 non listed public enterprises) additionally published a Carbon Management Report. National and international sustainability ranking systems such as the Dow Jones Sustainability Index, FTSE4Good and Green Rankings have been established with 6.2657 trillion KRW currently (2012) invested in the name of social responsibility investment (SRI). Together the two regulations related to climate change, evaluations from global organizations on sustainability and the gradual growth of SRI support the efforts of Korean firms and financial institutions who are interested in managing ESG issues, further demonstrating that climate change is becoming an important criterion in assessing corporate value.

Despite the increased interest, corporations’ publication of climate change-related information is still not sufficiently developed to be utilized by financial institutions to evaluate the performance of firms. The information required to be included in the annual report by the current regulations is limited (amount of GHG emissions and energy consumption) and is not sufficient to allow investors to gauge the impact of climate change on corporations ability to preserve and create value. Climate change-related material risks and opportunities are not published through the mainstream reports of companies but are presented in often lengthy sustainability reports that aim at publicizing, or building reputation through their response rates to external organizations rather than presenting decision useful material information to investors.

In July 2012, CDSB introduced its work through a workshop titled “Competitive Edge in Green Economy: Integration of Climate Change Information into Mainstream Reports”. KoSIF and CDP’s UK-based headquarters has registered 15 Korean companies as Working Group Members of this project, and have had three rounds of working group meetings. These meetings have focused on: CDSB's Framework, the changes in climate change reporting policies in the Korean regulation landscape, the challenges corporations encounter when the regulations are enacted and the solutions for it and examples of application.

To achieve the support of Korean government, including the Ministry of Environment, Presidential Committee on Green Growth and other governmental organizations, a telepresence event was held between Korea and UK governments. Korea’s emissions trading system was a focal point of discussion. An Investor roundtable was also hosted in order to hear the opinions of the financial institutions – the key users of the information. At the roundtable, more specific measures were debated such as the perception of climate change among financial institutions and the role the National Pension Service has to compensating those in poverty. In addition, efforts to increase the awareness of CDSB and its Framework to corporations and financial institutions that are not included in the working group list have included phone calls, emails and engagement via one-on-one meetings.

Activities

Kick-off workshop

On July 3 2012, CDSB’s Korean Project commenced through a workshop titled “Competitive Edge in Green
Economy: Integration of Climate Change Information into Mainstream Reports”. CDSB’s Korean Project started off by focusing on financial information and non-financial information, specifically with the goal of establishing a standard for integrated climate change reporting. To reflect the diversity of those interested in the integration of financial and non-financial reporting, 120 private firms, financial institutions and representatives of auditing agencies attended. The Ministry of Environment formally endorsed the event.

Richard Samans (Chair of CDSB’s Board & Director General Global Green Growth Institute) presented the global trends on green policy and Mardi McBrien, (Managing Director of CDSB) explained CDSB’s mission, ambition and activities. In the following sessions, the role of government and investors was explored and the application of XBRL was presented by Jong-Hoon Oh, Official from the Ministry of Environment, Karl. C.S Yang, Executive Director of KoSIF and Eva Murray from CDP respectively. The corporate working group launched at this event has taken a leading role in the adaptation and adoption of CDSB’s work into Korea.

Working Group Meetings

Corporations are central participants to support the evolution of climate change reporting, driving consistency and reducing their overall reporting burden. CDSB/KoSIF believed that securing leading companies participation was crucial to the success of CDSB’s introduction to Korea, not only to spread the message of CDSB and but to lead by example trialling the Climate Change Reporting Framework. Thus, CDSB/KoSIF established a working group with 15 firms that had outstanding CDP performances in each of their respective sectors. On July 27th, CDSB’s corporate working group commenced with a workshop that examined and deciphered the difficulties that corporations have had with their initial attempts at interpreting the Framework and assisted companies to increase their understanding of the Framework’s content and requirements. This also allowed corporations to share their own experiences with carbon and climate change reporting more generally. Following this, additional workshops were held at the Broughtons Club at the British Embassy. The first meeting focused on increasing the understanding of CDSB’s Framework. Thus we used the translated version and went over each sector with the participants. On our second meeting we examined potential confrontations that could happen between domestic policies and regulations and how to make them compatible. A deputy director from the Ministry of Environment attended as a panel speaker and explained the actions the Ministry is taking. Discussions focused on GHG/Energy management system, environment information disclosure system, cap and trade, policies related to climate change and the compatibility of CDSB’s Framework. These discussions were considered in their relation to the International Financial Reporting Standard (IFRS) that has been implemented in the Korean market. The third meeting focused on a detailed methodology to support implementation of the Framework in corporate reports. Debate focussed on case studies where the Framework had been implemented in integrated reports from companies both from within Korea and further abroad. Additionally, KoSIF produced and distributed climate change information disclosure guidelines published by Financial Supervisory Service.

Investor engagement

Understanding of climate change issues among Korean financial institutions lags behind their global competitors. Although there are 30 CDP investor signatories in Korea, support is largely symbolic rather than practical. In 2011, the amount of SRI in Korea was approximately KRW 6.2657 trillion, however, environmental funds only account for KRW 442.2 billion / 36 funds. The government has been working hard to facilitate the rise of green finance across Korea but unfortunately, their effort has not been reflected in capital allocation decision and investment communications. The government’s positive approach to climate change mitigation through regulations, combined with corporations measuring and reporting their GHG emissions are encouraging steps in the right direction. Unfortunately, the position of financial institutions is still more conservative, which fails to create the demand for consistent, transparent, comparable decision useful information on material climate
change-related risks and opportunities, thus acting as a barrier for CDSB’s mission delivery in Korea.

KoSIF has worked on increasing the awareness of CDSB and its Framework and have appealed for interest and adoption by engaging with various organizations that are associated with financial organizations and pensions including; financial institutions that publish SRI funds, banks and assurance companies that have relatively high interest in sustainable management and national pensions. On January 11 2013, a roundtable was hosted and attended by a diverse number of institutions including; banks, assurance companies, stock firms, and asset managers. This provided explanations on why financial institutions are still conservative and specific ways to facilitate climate change inclusive investment.

Regulator engagement

Since 2008, when the Korean government set low carbon green growth as national agenda item, they have uniquely been the most active agent in raising awareness of climate change among financial institutions and corporations in the country. The government established an Act on Low Carbon Green Growth, GHG/Energy management system and a cap and trade scheme. Therefore, the government has welcomed CDSB’s mission and actions although there have been different levels of support within and between different departments. The Ministry of Environment has supported CDSB by becoming a political sponsor of the kick-off workshop and participating in many of CDSB’s events such as Corporate Working Group meeting and telepresence event between the UK and Korean Governments. The Presidential Committee on Green Growth has also given its support to the purpose and actions of CDSB.

Outcomes

In order to increase the level of sustainability of the business environment, transparent communication is needed between corporations and investors on the disclosure of climate change-related information. This combined with the official support of governments through policy activity and certainty provides a sustainable and stable environment for businesses to operate. This project explored the disclosure of climate change information and usage among firms, investors and the government. It has been a good opportunity to receive feedback and opinions from different stakeholders to ensure that CDP, KoSIF and CDSB’s ongoing work remains relevant in Korea.

The levels of interest Korean companies have demonstrated with respect to climate change information disclosure is increasing with 6 companies that participated in the working group embedding CDSB’s Framework into their mainstream corporate reporting. This is a great result. Challenges still remain for the Framework to be embedded among Korean companies. Firstly, interest in climate change disclosures has been limited to environmental or CSR departments within companies. The financial and corporate reporting departments, which own the corporate reporting function, lack the technical understanding, interest in climate change / non-financial information and in their defence are not being asked by investors for this information -all common trends observed worldwide. In order for climate change information to be included in mainstream reporting in an integrated way, the cooperation between the finance and environment departments is crucial – we need to break down the departmental silos which exist in almost all large corporations. Representatives who are in charge of climate change issues in corporations stated that communication with the board of directors and the finance department is crucial to drive change. In addition, firms emphasized the need of detailed guidelines that reflects the local regulatory context of Korea. As corporate reporting is regulated by the Financial Supervisory Service, many companies requested the Framework to be tweaked to account for the local Korea regulatory requirements. Thus, CDSB and KoSIF drafted the related materials and disseminated it to the participating companies. The development of user guidance for the Climate Change Reporting Framework was a recommendation from the first working group meeting held in Korea. It was subsequently written in partnership with the ACCA and Radley Yalder and was published in March 2013 and will aid corporations in using the Framework (at present time only available in English). Investors and regulators are the primary users of information presented in corporate reports. Their interest, subsequent request for and use of ESG information are the major aspects that will enhance
investment decision-making. However, the project showed that Korean investors’ interest and use of climate change information is relatively low compared to within firms for their own management or by the government. There are two reasons for this. The first is the quality of climate change information. According to investors, unverified information and qualitative information is exempted from allocation decisions. Existing climate change information is scattered around voluntary sustainability reports which are published by companies without any common standard or assurance. Thus, it is difficult to attain reliable climate change-related information compared to the accessibility and consistency of financial information. Investors explained that in order for climate change-related issues to be actively used in investment decision making, comparability and increase in reliability of data through verification is needed.

The second reason is the conservative attitude of the National Pension Service (NPS), the largest investor in Korea and the fourth largest pension fund in the world. NPS comprises 55 percent of the domestic SRI market. NPS holds in shares more than 5 percent of 109 large listed Korean companies. This means that NPS can facilitate awareness and encourage the disclosure of climate related risks and opportunities with corporations and financial institutions in a short period time, utilizing their role as a shareholder. However, financial institutions have noted that the roles that NPS could play are not been pursued. SRI entrusted asset management companies by NPS noted in the roundtable that in order to activate firms to undertake climate change information disclosure, NPS should not assess SRI funds by short-term earnings but rather issue a public notification of a long term roadmap on SRI which recognises the nature of the impacts of climate change and encourages long term thinking on investment allocation decisions.

Due to the introduction of a low carbon green growth policy from the previous government, overall interest in climate change in the country has been quite high. However, discrepancies between different departments do exist. As the founders and leaders of the target scheme and the emissions trading system, the Ministry of Environment has actively supported climate change-related disclosures. Alternatively, organizations that deal with corporate reporting such as Financial Services Commission or Financial Supervisory Service are more reluctant to disclosure in line with the newer discipline of non-financial reporting. It is noteworthy that on October 2012, Financial Services Commission received a report called Improvement of Corporate Information Disclosure. This report covers the institutionalization of disclosure of ESG information among listed companies and necessitate the need for guidelines for integration of non-financial information into the corporate report. It is expected that CDSB, which aims to integrate non-financial information into mainstream corporate reporting, would become a major point of interest for the government. The report could in due course play a role in encouraging NPS to consider ESG issues in investment decision making processes and to disclose the extent of their ESG considerations.

Next Steps

Through this project, companies, investors, the government and the auditing agencies had a chance to communicate with each other for the first time on corporate climate change reporting in Korea. This project identified the challenges to reporting non-financial information such as climate change in Korea, aspects which can be improved and stepping stones established so that climate change information disclosure through mainstream financial reports can move from being best practice of a leading few corporations to common practice in the future.

The diversity of opinions that have been collected at the working group meetings will be used to improve the Framework and ongoing meetings, where corporations can share their experience, will be hosted. In addition, this project has demonstrated the critical duel role of both companies establishing climate change reporting and investment institutions demanding such information, thus more effort will be focused on forming further engagement opportunities and reforming existing related institutions.
Participants

Corporate Working Group
+ Coway
+ DGB Financial Group
+ Doosan Infracore
+ GS Engineering & Construction
+ Hyundai Engineering & Construction
+ Hyundai Merchant Marine
+ Industrial Bank of Korea
+ LG Electronics
+ Mirae Asset Securities
+ POSCO
+ Samsung C&T
+ Samsung Electro-mechanics
+ Samsung Electronics
+ Samsung SDI
+ SK Hynix
CDSB Corporate Working Group: A few words from the companies

01: What was your company's motivation for participating in the CDSB Working Group?

“The most important factor behind the decision to join the CDSB Working Group was to trial and get experience with the latest reporting framework, which will be used company-wide.”

Doosan Infracore

“To obtain up-to-date information on global trends in climate change-related information disclosure, in the format of an annual report or Integrated report. Discussions in the working group meetings have been passed on to management and the suggestion was made that Samsung C&T needs to report climate change information in mainstream reports by applying a global guideline.”

Samsung C&T

“As a global leading company, we participated in the working group to stay up-to-date with the latest global trends and support standardization of climate reporting.”

Samsung Electro-Mechanics

02: What value did your company derive from participating in the workshops?

“The CDSB Working Group gave a chance to consider what we do and should do in the context of climate change-related disclosure.”

DGB Financial Group

“This framework is a reporting tool for disclosure our performance and activity along with financial report, by this means, the values we received were the better reporting skills and know-how shared with us.”

Doosan Infracore

“We were able to learn the direction of future reporting and the materials aspects that needs to be considered.”

LG Electronics

“Participating in the working group was especially helpful for Samsung C&T because we were preparing to integrate our sustainability report into our annual report this year. We learned about the global guideline of climate change reporting and tried to reflect the requirements of the Climate Change Reporting Framework and lessons from the working group into our recently published 2012 sustainability report.”

Samsung C&T
03: **What value does your company perceive from including climate change-related information in their financial reports?**

“It is not only a tool for risk management related to climate change for the firm, but it will also work as a communication method for internal and external stakeholders.”

**Coway**

“It will be a good opportunity for our management to recognize the importance of responding to climate change by identifying the linkage between climate change-related performance and financial performance. In this context, we have had continuous discussions with our financial department about the integration of climate change information into our annual report.”

**Samsung C&T**

“As a private company, legally binding financial reports such as the annual report are considered very important to our stakeholders and for the company’s future sustainability. The inclusion of climate change-related information in financial reports means that such information would be considered at the same level of importance by its stakeholders due to the transparency and credibility arising from third party assurance. The accessibility of transparent climate change information will be welcomed by stakeholders, such as customers, clients, investors, employees, NGOs and others.”

**Samsung Electronics**

04: **What are the barriers and challenges to your company using the Climate Change Reporting Framework (or elements of the Framework) for reporting purposes in the next 12 months?**

“Departments which are in charge of mainstream reports in the company do not seem to agree with the importance and urgency of non-financial information reporting. Specifically, financial and corporate reporting departments do not understand the necessity of reporting climate change information in annual reports where financial performances of the company is reported. This is the main barrier to reporting climate change-related information in annual reports.”

**Samsung C&T**
05: How does this framework help your company meet its compliance obligations and targets as set by the Government?

“By disclosing climate change-related information that is comparable to our peers’ in our financial report, we are encouraged to implement more effective plans to reduce our carbon emissions.”

Hyundai Engineering & Construction

06: Who do you think the outputs of reporting using CDSB’s Climate Change Reporting Framework will be most useful for?

“Once it is required by the international community, reports made according to CDSB’s Framework will be useful for many interested parties, especially NGOs, research organizations and investors.”

Samsung Electronics

07: Does your company have a strategy for getting climate change information verified and assured?

“Our climate change-related data is verified annually from a third-party audit company to meet not only mandatory but also voluntarily requirements.”

Doosan Infracore

08: Did you / your colleagues learn anything about your company from participating in CDSB/KoSIF workshops?

“We were introduced to the international trends in climate change reporting and it was an opportunity to acknowledge how much non-financial aspects are important to investors.”

SK Hynix

09: What further support would you like from KoSIF & CDSB in undertaking climate change-related reporting?

“There need for localized and industry-specific versions of the Climate Change Reporting Framework for Korean corporations. Furthermore, there should be continuous awareness-raising activity to help companies understand the importance of CDSB.”

IBK
10: Please provide any additional feedback about your experiences working with and using the framework, participation in the working groups or other observations you would like communicated to the CDSB Secretariat.

“Since 2009, Coway has been responding to CDP and we also disclose the linkage between climate change information and corporate performance by publishing our carbon management report. Through the work with KoSIF and the CDSB Working Group, Coway was able to improve internal communications with related departments. We are putting our heads together to come up with a better way for reporting. We hope to continue working with KoSIF and CDSB for to improve corporate reporting.”

Coway

“As climate change-related regulations develop and the importance of corporate non-financial information increases, it is important to evaluate how non-financial factors affect corporate sustainability with the use of a comparable and clear standard among companies such that is aligned with financial standards. We are very pleased to participate in the CDSB workshop as a first step with an established international carbon disclosure standard. By participating in this workshop we recognized the difficulties of linking non-financial factors with financial performance. We are sure that the Climate Change Reporting Framework will be the most effective tool as an international guideline.”

Hyundai Engineering & Construction

“CDSB’s Climate Change Reporting Framework offers detailed advice on connecting material climate change information and financial performance in mainstream reports and could be a bible, following the review of comments from the trial users. We hope that ultimately using this guide brings benefits to reporters and investors, businesses and a wider society, by making climate change information clearer, more relevant and more accessible in the near future.”

Doosan Infracore

“Hyundai Merchant Marine Co., ltd. recognises the importance of climate change responses from the aspect of social responsibility, business as well as environment. The company considers CDSB as important channel for communicating with interested parties. The company believes that the Climate Change Reporting Framework would play a significant role in enhancing the climate change response internally and/or externally by leading complying companies.”

Hyundai Merchant Marine

“First of all, it was a worthwhile exercise to exchange ideas about the Framework at the CDSB Korea Working Group. It also gave us a chance to think over what we do and where we are in the process of acting against climate change. Getting involved with the Framework at such an early stage, we feel passion as if we were pioneers, cultivating the wasteland. We expect the Framework to develop as a strong tool for the enhancement of our carbon management.”

DGB Financial Group
“By attending the CDSB workshop, we learned that there needs to be an assessment of how climate change affects our business, evaluation of our relevant strategies and assessment of the risks and opportunities to our company. The workshop has been a big help and a great guide in reaching the targets of LG’s green management. We tend to disclose strategy and targets - the results of the targets can then be used with the framework.”

**LG Electronics**

“Participating in CDSB’s Working Group was a good opportunity for Samsung C&T to learn global trends and to set future direction of our policy on responding to climate change. We always strive to lead in responding to climate change and GHG emissions reduction activities. Based on the lessons we learned from the working group, we will endeavour not only to address climate change issues and construct better disclosure system but also provide information to our stakeholders about how these activities are reflected in our financial performance.”

**Samsung C&T**

“Through the CDSB working group, we increased the understanding of the international Reporting Framework regarded to climate change. We understand that there needs to be additional effort internally to prepare for the upcoming climate change related information disclosure process.”

**Samsung SDI**

“Samsung Electro-Mechanics not only recognize climate change risks, but also opportunities that can bring direct benefits, and therefore promote active policies to respond to climate change. Reduction of operating costs through company-wide energy saving activities is a good example of our commitment. We realize that disclosing climate change information is becoming more important through strengthening government regulations and increasing demands for low carbon product from our customers. We will continue to put our efforts into systematic disclosure of climate change information.”

**Samsung Electro-Mechanics**

“We were pleased to participate and exchange opinions regarding climate change issues at the CDSB Working Group. We suggest direct involvement of finance and/or investor relations departments (i.e. not only environment/sustainability departments) of each participating company, thus providing practical insights and strategies to the development of CDSB’s Framework and bring it to the mainstream.”

**Samsung Electronics**

“There needs to be a gradual integration of government requirements within the framework. In addition, in order to bring about interest among corporations there needs to be a government policy and the greater sharing of useful information between corporations is needed. The Framework needs to be developed in a way that corporations feel less pressure when disclosing for the first time.”

**SK Hynix**
Contact us to get involved in CDSB and CDP’s work

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