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## **Korea Financial Services Commission (FSC) consultation on a *Plan for Institutionalizing Sustainability (ESG) Disclosure*: Response by the TPI Global Climate Transition Centre at the London School of Economics and Political Science**

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### **About the consultation**

On 25 February 2026, the Korea Financial Services Commission (FSC) released a consultation paper titled “Plan for Institutionalizing Sustainability (ESG) Disclosure”. The FSC aims to collect opinions on its blueprint for ESG disclosure to enhance market predictability and support the Korean Green Transformation (K-GX) initiative.

### **About the TPI Global Climate Transition Centre**

The TPI Global Climate Transition Centre (TPI Centre) is a research centre dedicated to producing independent research and data on the progress of corporate and sovereign entities in addressing climate change. The TPI Centre’s resources equip investors with the insights needed to support the transition to a low-carbon economy. The TPI Centre is part of the Global School of Sustainability at the London School of Economics and Political Science (LSE). It is the academic partner of the Transition Pathway Initiative (TPI), a global investor-led initiative backed by asset owners and supported by asset managers. More than 155 investors globally, representing approximately US\$92 trillion<sup>1</sup> in combined Assets Under Management and Advice, have pledged support for TPI. The Centre also acts as the academic research expert for the Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) project.

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<sup>1</sup> This figure is subject to market-price and foreign-exchange fluctuations and, as the sum of self-reported data by TPI supporters, may double-count some assets.

## The TPI Centre's feedback on the FSC consultation

### 2. Scope 3 Greenhouse Gas Emissions Deferral

Although we agree that Scope 3 reporting could initially be optional, we urge the FSC to consider the future introduction of mandatory Scope 3 emissions disclosure, once companies have had sufficient time to adapt to the new Korean disclosure requirements.

Disclosure of Scope 3 emissions is essential for providing transparency on a company's full carbon footprint, particularly in sectors with significant upstream or downstream emissions from activities in their value chains. In the context of our Climate Action 100+ assessments, our [methodology](#) lists the sectors for which Scope 3 reporting is most important in understanding a company's transition. These include sectors such as oil and gas, auto manufacturing, mining, food production, chemicals production and the retail sector. Scope 3 reporting is material for investors as it allows for a clearer understanding of a company's overall emissions profile and transition risk exposure.

While we support the long-term objective of making Scope 3 disclosure mandatory alongside Scope 1 and Scope 2, we recognise the practical challenges associated with measuring supply chain emissions. The FSC should consider sector-specific applicability and the ongoing difficulties companies face in obtaining reliable emissions data from across their supply chains.

### 4. Disclosure Standards

Transition plans are critical in explaining how companies intend to sustainably transition their business models in line with a low-carbon economy and their net zero targets. Paragraph 9(c) and paragraph 14(a) (iv) of IFRS S2<sup>2</sup> relate to transition plan disclosures, and we encourage the incorporation of these requirements in the development of Korea's own standards.

Paragraph 9(c) requires a company to disclose information on the effects of climate-related risks and opportunities on the company's strategy and decision-making, which also includes information on its transition plan if it has produced one.

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<sup>2</sup> <https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s2-climate-related-disclosures.pdf?byypass=on>

Paragraph 14(a)(iv) requires a company to disclose information about how it responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the company plans to achieve any climate-related targets it has set, and any other targets required by regulation. This includes information on any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies.

The TPI Centre, in collaboration with the Centre for Economic Transition Expertise (CETEx) and the Grantham Research Institute on Climate Change and the Environment recently provided [feedback](#) on the UK Government's consultation on climate-related transition plans, ultimately supporting the move towards mandatory disclosure and implementation of transition plans<sup>3</sup> within the UK.

Below is a summary of the key benefits of disclosing corporate transition plans and the use cases that such disclosures can support. The rationale for these benefits can be found in our [consultation submission](#) to the UK government under Section A:

- Transition plans can support the delivery of climate objectives at the company level. As internal strategic documents, they can play an important role in ensuring private sector actions support an orderly transition to deliver global climate goals.
- Transition plan disclosure is the public disclosure of forward-looking information about company strategy. This is invaluable for overcoming coordination failures and network effects which create transition barriers. For example, embedding transition planning across the economy can support a whole-of-system response to the climate transition. Where they are disclosed, transition plans provide information not only about companies' climate objectives, but also the strategies in place for delivery, the dependencies companies face and how these will be addressed<sup>4</sup>. This information can be used by many different actors to accelerate the diagnosis of where coordination and network effects pose barriers and help inform solutions.

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<sup>3</sup> Centre for Economic Transition Expertise, TPI Global Climate Transition Centre and Grantham Research Institute on Climate Change and the Environment (2025) Submission to the UK Government consultation 'Climate-related transition plan requirements'. London: London School of Economics and Political Science.

<sup>4</sup> Jahn, Valentin and Manning, Mark, How can we Coordinate the Low Carbon Transition? Building a Global Information and Engagement Architecture (September 12, 2025). Available at SSRN: <https://ssrn.com/abstract=5479367> or <http://dx.doi.org/10.2139/ssrn.5479367>

- There is mounting evidence that standardised, disclosed company transition plans are a critical source of information for well-functioning capital markets. An important foundation for efficient capital markets is that investors and consumers of financial products have access to reliable information about the material risks and opportunities faced by investee companies<sup>5</sup>. This includes material information about risks and opportunities arising from climate change. Ilhan et al. (2020) surveyed institutional investors and found that the majority of respondents put equal weight on climate-related disclosure and financial disclosure.
- Transition plans can support effective capital allocation by enabling innovation in financial services. Investors can use the information in transition plans to drive innovation in their products and services to improve risk management and pricing, create incentives for delivery and expand access to high integrity transition finance. For example, transition plans can be used to define performance indicators in green and transition bonds or sustainability-linked loans and bonds, serve as benchmarks to inform the construction of equity portfolios and funds, and enable the pooling and securitisation of transition-linked assets. Importantly, transition plans enable the monitoring of firm progress over the lifespan of the financial instrument, particularly where those transition plans contain details on companies' capex plans.
- Transition planning requires firms to assess how the transition will impact their sector and enables them to coordinate how they will execute the changes required to capture transition opportunities.
- Transition plans can support the resilience and competitiveness of a country's economy, across companies and financial services.

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<sup>5</sup> <https://www.ifrs.org/content/dam/ifrs/meetings/2025/june/trustees/concept-paper.pdf>